BASE LISTING DOCUMENT DATED 18 APRIL 2017

If you are in doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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Base Listing Document relating to Non-collateralised Structured Products to be issued by

CREDIT SUISSE

Credit Suisse AG

(incorporated under the laws of Switzerland)

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **listing rules**) for the purpose of giving information with regard to us and our derivative warrants (**warrants**), callable bull/bear contracts (**CBBCs**) and other structured products (warrants, CBBCs and such other structured products are collectively, **structured products**) to be listed on the stock exchange from time to time. This document may be updated and/or amended from time to time by way of addenda. You must ask us if any addenda to this document have been issued.

We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The structured products involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.

You are warned that the prices of structured products may fall in value as rapidly as they may rise and you may sustain a total loss of your investment. You should therefore ensure that you understand the nature of the structured products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before you invest in any structured products.

The structured products constitute general unsecured contractual obligations of us as the Issuer and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase any structured products, you are relying upon the creditworthiness of us, and have no rights under such structured products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index or any company constituting the underlying index. If we become insolvent or default on our obligations under the structured products, you may not be able to recover all or even part of the amount due under the structured products (if any).

Sponsor and Manager

Credit Suisse (Hong Kong) Limited

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IMPORTANT INFORMATION

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire any structured products.

What documents should you read before investing in the structured products?

A launch announcement and supplemental listing document will be issued on the issue date of each series of structured products, which will include detailed commercial terms of the relevant series.

You must read this document (including any addendum to this document to be issued from time to time) together with such launch announcement and supplemental listing document (including any addendum to such launch announcement and supplemental listing document to be issued from time to time) (together, the **listing documents**) before investing in any structured product. You should carefully study the risk factors set out in the listing documents.

Is there any guarantee or collateral for the structured products?

No. Our obligations under the structured products are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our structured products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the structured products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the structured products (if any).

What are the Issuer's credit ratings?

The Issuer's long-term credit ratings are:

Rating agency	*Ratings as at the day immediately preceding the date of this document*
Moody's Investors Service Ltd (**Moody's**)	A1 (stable outlook)
Standard & Poor's Credit Market Services Europe Limited (**S&P**)	A (stable outlook)

The long-term credit ratings are only an assessment by the credit rating agencies of the Issuer's overall financial capacity to pay its debts.

A1 is among the top three major credit rating categories and is the fifth highest investment-grade ranking of the ten investment-grade credit ratings (including 1, 2 and 3 sub-grades) assigned by Moody's.

A is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade credit ratings (including + or - sub-grades) assigned by S&P.

Please refer to the brief guide in appendix 8 to this document to what such credit ratings mean.

Rating agencies usually receive a fee from the companies that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

(a) a credit rating is not a recommendation to buy, sell or hold the structured products;

(b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;

(c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the above date are for reference only. Any downgrading of our ratings could result in a reduction in the value of the structured products;

(d) a credit rating is not an indication of the liquidity or volatility of the structured products; and

(e) a credit rating may be downgraded if the credit quality of the Issuer declines.

The structured products are not rated. The Issuer's credit ratings and credit rating outlooks are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to the Issuer's ratings and outlooks from time to time.

Is the Issuer regulated by the Hong Kong Monetary Authority referred in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are regulated by the Hong Kong Monetary Authority as a registered institution. We are also, amongst others, regulated by the Swiss Financial Market Supervisory Authority (**FINMA**).

Is the Issuer subject to any litigation?

Except as disclosed in the section headed "Legal Proceedings Information extracted from Credit Suisse annual report 2016" set out in appendix 6 of this document, we and our affiliates are not involved in any litigation, claims or arbitration proceedings which are material in the context of the issue of the structured products. Also, we are not aware of any proceedings or claims which are threatened or pending against us or our affiliates.

Has our financial position changed since last financial year-end?

Except as disclosed in the section headed "Our financial statements extracted from Credit Suisse annual report 2016" set out in appendix 5 of this document, there has been no material adverse change in our financial position since 31 December 2016. You may access our latest publicly available financial information by visiting our website at *www.credit-suisse.com*.

Do you need to pay any transaction cost?

The stock exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission (**SFC**) charges a transaction levy of 0.0027 per cent. in respect of each transaction effected on the stock exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the structured products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of your purchase in addition to the issue price of each structured product. See the section headed "Taxation" for further information.

Authorised representatives and acceptance of service

Our authorised representatives are Ken Pang and Elina Wong, both of Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Credit Suisse (Hong Kong) Limited (presently at Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) has been authorised to accept, on our behalf, service of process and any other notices required to be served on us.

Where can you inspect the relevant documents?

You may inspect copies of the following documents during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Credit Suisse (Hong Kong) Limited, (presently at Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong):

(a) the consent letters from KPMG AG (our **auditors**) in relation to the inclusion of their three reports on our (i) consolidated financial statements; (ii) the effectiveness of internal control over financial reporting and (iii) the compensation report of Credit Suisse Group AG in this document;

(b) annual report 2016 of Credit Suisse Group AG & Credit Suisse AG (**Credit Suisse annual report 2016**);

(c) this document and any addenda or successor document to this document;

(d) the launch announcement and supplemental listing document as long as the relevant series of structured products is listed on the stock exchange; and

(e) a Chinese translation of each of the listing documents.

Request for photocopies of the above documents will be subject to a reasonable fee which reflects the costs of making such copies.

The listing documents are also available on the website of the HKEX at *www.hkexnews.hk* and our website at *http://warrants-hk.credit-suisse.com/en/home_e.cgi.*

各上市文件亦可於香港交易所披露易網站 *(www.hkexnews.hk)* 以及本公司網站*http://warrants-hk.credit-suisse.com/home_c.cgi* 瀏覽。

Have our auditors consented to the inclusion of their reports in this document?

Our auditors have given and have not withdrawn their written consents dated 18 April 2017 regarding the inclusion of their three reports and/or the references to their name in this document, in the form and context in which they are included. Their three reports were not prepared for incorporation in this document. Our auditors do not have any shareholding in us, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities.

Placing and sale and grey market dealings

No action has been taken to permit a public offering of structured products or the distribution of this document in any jurisdiction where action would be required for such purposes. The distribution of this document and the offering of any structured products may, in certain jurisdictions, be restricted by law. You must inform yourself of and observe all such restrictions. See the section headed "Placing and Sale" in this document for further details.

Following the launch of a series of structured products, we may place all or part of that series with our related party.

The structured products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in structured products by us and/or any of our subsidiaries or associated companies in the grey market to the stock exchange on the listing date through the website of HKEX at *www.hkexnews.hk.*

The listing documents are not the sole basis for making your investment decision

The listing documents do not take into account your investment objectives, financial situation or particular needs. The listing documents are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by us or the sponsor, that you should purchase any of the structured products or the underlying asset of the structured products. We do not imply that there has been no change in the information set out in this document since its publication date.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the structured products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

HKEX, the stock exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any structured products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

Governing law of the structured products

All contractual documentation for the structured products will be governed by, and construed in accordance with, the laws of Hong Kong.

How can you get further information about us or the structured products?

You may visit *www.credit-suisse.com* to obtain further information about us and/or the structured products.

Undefined terms

Unless otherwise specified, terms not defined in this document have the meanings given to them in the general conditions set out in appendix 1 of this document and the relevant product conditions applicable to the relevant series of structured products set out in appendix 2 and appendix 3 of this document (together, **conditions**).

OVERVIEW OF WARRANTS

What is a derivative warrant?

A derivative warrant linked to a share, a unit, an index or other asset (each an **underlying asset**) is an instrument which gives the holder a right to "buy" or "sell" the underlying asset at, or derives its value by reference to, a pre-set price or level called the exercise price or strike level on the expiry date (as the case may be). It usually costs a fraction of the price or level of the underlying asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our warrants are European style warrants. This means they can only be exercised on the expiry date.

Our warrants will be exercised on the expiry date, entitling you to a cash amount called the **cash settlement amount** (if positive) according to the conditions applicable to our warrants.

For cash settled warrants, you will receive the cash settlement amount (net of exercise expenses) upon expiry. If the cash settlement amount is equal to or less than the exercise expenses, no amount is payable to you upon expiry of your warrants and you will lose all of your investment in the structured products.

How do our warrants work?

Ordinary warrants

The potential payoff of an ordinary warrant is calculated by reference to the difference between:

(a) for a warrant linked to a share or a unit, the exercise price and the arithmetic mean of the closing prices of such share or unit on the valuation dates (**average price**); or

(b) for a warrant linked to an index, the strike level and the closing level of such index on the valuation date,

each as described more in the applicable product conditions set out in parts A, B, C and D of appendix 2 of this document.

Call warrants

A call warrant is suitable for an investor holding a bullish view of the price or level of the underlying asset during the term of the warrant.

A call warrant will be exercised if the average price or the closing level is greater than the exercise price or the strike level (as the case may be). The more the average price or the closing level is greater than the exercise price or the strike level (as the case may be), the higher the payoff upon expiry. If the average price or the closing level (as the case may be) is equal to or less than the exercise price or the strike level (as the case may be), an investor in the call warrant will lose all of his investment.

Put warrants

A put warrant is suitable for an investor holding a bearish view of the price or level of the underlying asset during the term of the warrant.

A put warrant will be exercised if the average price or the closing level is less than the exercise price or the strike level (as the case may be). The more the average price or the closing level is less than the exercise price or the strike level (as the case may be), the higher the payoff upon expiry. If the average price or the closing level (as the case may be) is equal to or greater than the exercise price or the strike level (as the case may be), an investor in the put warrant will lose all of his investment.

Other types of warrants

The launch announcement and supplemental listing document applicable to other types of warrants will specify the type of such warrants and whether such warrants are ordinary or exotic warrants.

Further details relating to how a particular series of warrants work will be set out in the relevant launch announcement and supplemental listing document.

Where can you find the general conditions and the product conditions applicable to our warrants?

You should review the general conditions and the product conditions applicable to each type of the warrants before your investment.

The general conditions are set out in appendix 1 of this document and the product conditions applicable to each type of our warrants are set out in appendix 2 of this document (as may be supplemented by any addendum or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of a derivative warrant?

The price of a warrant generally depends on the prevailing price or level of the underlying asset. However, the price of a warrant will be influenced by a number of factors throughout the warrant term, including:

(a) the exercise price or the strike level of the derivative warrants;

(b) the liquidity of the futures contracts relating to the underlying asset;

(c) the liquidity of the underlying asset;

(d) the value and volatility of the price or level of the underlying asset (being a measure of the fluctuation in the price or level of the underlying asset over time);

(e) the time remaining to expiry: generally, the longer the remaining life of the derivative warrant, the greater its value;

(f) the interim interest rates and expected dividend payments or other distributions on the underlying asset or on any components comprising the index;

(g) the supply and demand for that warrant;

(h) the prevailing exchange rate between the underlying currency of the underlying asset and the settlement currency of the derivative warrants (if applicable);

(i) our related transaction costs; and/or

(j) our creditworthiness.

What is your maximum loss?

Your maximum loss in our warrants will be limited to your investment amount plus any transaction costs.

How can you get information about the warrants after issue?

You may visit the website of HKEX at *http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm* to obtain further information on derivative warrants or any notice given by us or the stock exchange in relation to our warrants.

OVERVIEW OF CBBCS

What are CBBCs?

CBBCs are a type of structured products that track the performance of an underlying asset. CBBCs can be issued on different types of underlying assets as prescribed by the stock exchange from time to time, including:

(a) shares or unit trusts listed on the stock exchange;

(b) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or

(c) overseas securities, overseas indices, currencies or commodities (such as oil, gold and platinum).

A list of eligible underlying assets for CBBCs is available on the website of the HKEX at *http://www.hkex.com.hk/eng/prod/secprod/cbbc/underlying_latest.htm*.

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the underlying asset. Bull CBBCs are designed for investors who have an optimistic view on the underlying asset. Bear CBBCs are designed for investors who have a pessimistic view on the underlying asset.

CBBCs have a mandatory call feature (the **mandatory call event**) and, subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed, we must terminate our CBBCs upon the occurrence of a mandatory call event. See "What are the mandatory call features of CBBCs?" below for further information.

There are 2 categories of CBBCs, namely:

(a) category R CBBCs; and

(b) category N CBBCs.

Your entitlement following the occurrence of a mandatory call event will depend on the category of the CBBCs. See "Category R CBBCs vs. category N CBBCs" below for further information.

If no mandatory call event occurs, the CBBCs will be exercised automatically on the expiry date. The cash settlement amount (if any) payable at expiry represents the difference between the closing price or the closing level of the underlying asset on the valuation date and the strike price or the strike level.

What are the mandatory call features of CBBCs?

Mandatory call event

Subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed, we must terminate the CBBCs if a mandatory call event occurs. A mandatory call event occurs if the spot price or the spot level of the underlying asset is:

(a) at or below the call price or the call level (in the case of a bull CBBC); or

(b) at or above the call price or the call level (in the case of a bear CBBC), at any time during the observation period.

For CBBCs over underlying assets traded or quoted locally, the observation period starts from and includes the observation commencement date of the relevant CBBCs and ends on and includes the trading day immediately preceding the expiry date.

Subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed and such modification and amendment as may be prescribed by the stock exchange from time to time:

(a) all trades in the CBBCs concluded after the time at which the mandatory call event occurs; and

(b) where the mandatory call event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades of the CBBCs concluded after the end of the pre-order matching period in such session,

will be invalid and cancelled, and will not be recognised by us or the stock exchange.

The time at which a mandatory call event occurs will be determined by reference to:

(a) (in the case of CBBCs over single equities or CBBCs over single unit trusts listed on the stock exchange) the stock exchange's automatic order matching and execution system time at which the spot price is at or below the call price (for a series of bull CBBCs) or is at or above the call price (for a series of bear CBBCs);

(b) (in the case of CBBCs over index quoted on the stock exchange) the time the relevant spot level is published by the index compiler at which the spot level is at or below the call level (for a series of bull CBBCs) or is at or above the call level (for a series of bear CBBCs); or

(c) (in the case of CBBCs over other underlying assets), the time as specified in the relevant launch announcement and supplemental listing document,

subject to the rules and requirements as prescribed by the stock exchange from time to time.

Category R CBBCs vs. category N CBBCs

The launch announcement and supplemental listing document for the relevant series of CBBCs will specify whether the CBBCs are category R CBBCs or category N CBBCs.

Category R CBBCs refer to CBBCs for which the call price or the call level is different from the strike price or the strike level. In respect of a series of category R CBBCs, you may receive a cash payment called the **residual value** upon the occurrence of a mandatory call event. The amount of the residual value payable (if any) is calculated by reference to:

(a) (in the case of a bull CBBC) the difference between the minimum trade price or the minimum index level and the strike price or the strike level of the underlying asset; and

(b) (in the case of a bear CBBC) the difference between the strike price or the strike level and the maximum trade price or the maximum index level of the underlying asset.

Category N CBBCs refer to CBBCs for which the call price or the call level is equal to their strike price or the strike level. In respect of a series of category N CBBCs, you will not receive any cash payment following the occurrence of a mandatory call event.

You must read the applicable conditions and the relevant launch announcement and supplemental listing document to obtain further information on the calculation formula of the residual value applicable to category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

(a) in the case of a series of bull CBBCs, the minimum trade price or the minimum index level of the underlying asset is equal to or less than the strike price or the strike level; or

(b) in the case of a series of bear CBBCs, the maximum trade price or the maximum index level of the underlying asset is equal to or greater than the strike price or the strike level.

Where can you find the general conditions and the product conditions applicable to our CBBCs?

You should review the general conditions and the product conditions applicable to the CBBCs before you invest.

The general conditions are set out in appendix 1 of this document and the product conditions applicable to our CBBCs are set out in appendix 3 of this document (as may be supplemented by any addendum or the relevant launch announcement and supplemental listing document).

How is the funding cost calculated?

The issue price of a CBBC is set by reference to (a) the difference between the initial reference spot price or spot level of the underlying asset as at the launch date of the CBBC and the strike price or the strike level, plus (b) if applicable, a funding cost.

The issue price of a CBBC includes the initial funding cost (if any) and the initial funding cost applicable to the CBBCs as of the launch date will be specified in the relevant launch announcement and supplemental listing document for the relevant series.

The funding cost is an amount determined by us based on a number of factors, including but not limited to the strike price or the strike level, the prevailing interest rate, the expected life of the CBBCs, any expected notional dividends or distribution in respect of the underlying assets and the margin financing provided by us.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant launch announcement and supplemental listing document.

Do you own the underlying asset?

CBBCs convey no interest in the underlying asset. We may choose not to hold the underlying asset or any derivatives contracts linked to the underlying asset. There is no restriction through the issue of the CBBCs on our ability to sell, pledge or otherwise convey all right, title and interest in any underlying asset or any derivatives products linked to the underlying asset.

What are the factors determining the price of a CBBC?

The price of a CBBC tends to mirror the movement in the value of the underlying asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one underlying asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

(a) the strike price or the strike level and the call level or the call price;

(b) the likelihood of the occurrence of a mandatory call event;

(c) for category R CBBCs only, the probable range of the residual value payable upon the occurrence of a mandatory call event;

(d) probable range of cash settlement amount;

(e) the time remaining to expiry;

(f) the interim interest rates and expected dividend payments or other distribution on the underlying asset or on any components comprising the underlying index;

(g) the supply and demand for the CBBCs;

(h) the liquidity of future contracts relating to the underlying index;

(i) our related transaction costs; and/or

(j) our creditworthiness.

What is your maximum loss?

Your maximum loss in the CBBCs will be limited to your investment amount plus any transaction costs.

How can you get information about the CBBCs after issue?

You may visit the website of HKEX at *http://www.hkex.com.hk/eng/prod/secprod/cbbc/Intro.htm* to obtain further information on CBBCs or any notice given by us or the stock exchange in relation to our CBBCs.

TAXATION

The information below is of a general nature and is only a summary of the law and practice currently applicable in Switzerland, Hong Kong and the United States of America. The comments relate to the position of persons who are the absolute beneficial owners of the structured products and may not apply equally to all persons. If you are in any doubt as to your tax position on purchase, ownership, transfer or exercise of any structured product, you should consult your own tax advisers as to the Swiss, Hong Kong or the United States of America laws or other tax consequences of the acquisition, ownership and disposition of structured products, including, in particular, the effect of any foreign, state or local tax laws to which you are subject.

Taxation in Switzerland

Gain on sale or redemption

Under present Swiss law, a holder of structured products who is neither a resident of Switzerland nor whose transactions in the structured products are attributable to a permanent establishment within Switzerland during the taxable year will not be subject to any Swiss Federal, Cantonal or Municipal income or other tax on gains realised during that year on the holding, sale, redemption or exercise of a structured product.

Stamp tax

No stamp tax will arise in Switzerland in connection with the issue or sale of the structured products provided that no Swiss Bank or Swiss securities dealer is involved as a counterparty or an intermediary. Swiss stamp tax will not be payable on the exercise of a structured product provided that the structured product is not exercised by or through a Swiss Bank or a Swiss securities dealer.

Taxation in Hong Kong

Profits tax

No tax is payable in Hong Kong by withholding or otherwise in respect of:

(a) dividends of any company;

(b) distributions of any trust authorised as a collective investment scheme by the SFC under section 104 of the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong) or otherwise approved by the SFC which has issued the underlying units; and

(c) any capital gains, arising on the sale of the underlying securities or structured products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Stamp duty

You do not need to pay any stamp duty in respect of purely cash settled structured products.

United States Tax Considerations for Investors

U.S. Foreign Account Tax Compliance Act

Under certain provisions of the “Hiring Incentives to Restore Employment Act,” generally referred to as “FATCA,” and regulations thereunder, a 30% withholding tax is imposed on “withholdable payments” and certain “passthru payments” made to “foreign financial institutions” (as defined in the regulations or an applicable intergovernmental agreement) (and their more than 50% affiliates) unless the payee foreign financial institution agrees, among other things, to disclose the identity of any U.S. individual with an account at the institution (or the institution’s affiliates) and to annually report certain information about such account. The term “withholdable payments” generally includes (1) payments of fixed or determinable annual or periodical gains, profits, and income (“FDAP”), in each case, from sources within the United States, and (2) gross proceeds from the sale of any property of a type which can produce interest or dividends from sources within the United States. “Passthru payments” means any withholdable payment and any foreign passthru payment. To avoid becoming subject to the 30% withholding tax on payments to it, a financial institution may be required to report information to the IRS regarding the holders of the securities. In the case of holders who (i) fail to provide the relevant information, (ii) are foreign financial institutions who have not agreed to comply with these information reporting requirements, or (iii) hold the securities directly or indirectly through such non-compliant foreign financial institutions, a payor may be required to withhold on a portion of payments under the securities. FATCA also requires withholding agents making withholdable payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial U.S. owners (or certify that they do not have any substantial U.S. owners) to withhold tax at a rate of 30%. If payments on the securities are determined to be from sources within the United States, such payments will be treated as withholdable payments for these purposes.

Withholding under FATCA will apply to all withholdable payments and certain passthru payments without regard to whether the beneficial owner of the payment is a U.S. person, or would otherwise be entitled to an exemption from the imposition of withholding tax pursuant to an applicable tax treaty with the United States or pursuant to U.S. domestic law. Unless a foreign financial institution is the beneficial owner of a payment, it will be subject to refund or credit in accordance with the same procedures and limitations applicable to other taxes withheld on FDAP payments provided that the beneficial owner of the payment furnishes such information as the IRS determines is necessary to determine whether such beneficial owner is a U.S.-owned foreign entity and the identity of any substantial U.S. owners of such entity. If such withholding applies, we will not be required to pay any additional amounts with respect to amounts withheld.

Subject to the exceptions described below, FATCA's withholding regime generally will apply to (i) withholdable payments (other than gross proceeds of the type described above and certain payments made with respect to a "preexisting obligation," as defined in the regulations); (ii) payments of gross proceeds of the type described above with respect to a sale or disposition occurring after December 31, 2018, and (iii) foreign passthru payments made after the later of December 31, 2018, or the date that final regulations defining the term "foreign passthru payment" are published. Notwithstanding the foregoing, the provisions of FATCA discussed above generally will not apply to (a) with respect to foreign passthru payments, any obligation (other than an instrument that is treated as equity for U.S. tax purposes or that lacks a stated expiration or term) that is issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published (a "grandfathered obligation"), (b) any obligation that produces withholdable payments solely because the obligation is treated as giving rise to a dividend equivalent pursuant to U.S. Internal Revenue Code (the "Code") section 871(m) and the regulations thereunder that is outstanding at any point prior to six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents, and (c) any agreement requiring a secured party to make payments with respect to collateral securing one or more grandfathered obligations (even if the collateral is not itself a grandfathered obligation). Thus, if a holder holds its securities through a foreign financial institution or foreign entity, a portion of any of such holder's payments may be subject to 30% withholding.

Substitute Dividend and Dividend Equivalent Payments

The Code and regulations thereunder treat a "dividend equivalent" payment as a dividend from sources within the United States. Such payments generally will be subject to U.S. withholding tax at a rate of 30%. A "dividend equivalent" payment is defined under the Code as (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" (a "specified NPC") that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in the preceding clauses (i) and (ii).

Final regulations provide that a dividend equivalent is any payment or deemed payment that references the payment of (i) a dividend from an underlying security pursuant to a securities lending or sale-repurchase transaction, (ii) a dividend from an underlying security pursuant to a specified NPC, (iii) a dividend from an underlying security pursuant to a specified equity-linked instrument (a "specified ELI"), and (iv) any other substantially similar payment. The regulations provide that a payment includes a dividend equivalent payment whether there is an explicit or implicit reference to a dividend with respect to the underlying security. An underlying security is any interest in an entity if a payment with respect to that interest could give rise to a U.S. source dividend pursuant to Treasury regulation section 1.861-3. An NPC is a notional principal contract as defined in Treasury regulation section 1.446-3(c). An equity-linked instrument ("ELI") is a financial instrument (other than a securities lending or sale-repurchase transaction or an NPC) that references the value of one or more underlying securities, including a futures contract, forward contract, option, debt instrument, or other contractual arrangement. A "section 871(m) transaction" is any securities lending or sale-repurchase transaction, specified NPC, or specified ELI.

Pursuant to the regulations, for any payment made on or after January 1, 2017 with respect to any transaction issued on or after January 1, 2017, any NPC or ELI that has a delta of one with respect to an underlying security when the NPC or ELI is issued is a specified NPC or specified ELI, respectively. For any payment made on or after January 1, 2018 with respect to any transaction issued on or after January 1, 2018, (a) a "simple" NPC or "simple" ELI that has a delta of 0.8 or greater with respect to an underlying security when the NPC or ELI is issued is a specified NPC or specified ELI, respectively, and (b) a "complex" NPC or "complex" ELI that meets a substantial equivalence test with respect to an underlying security at the time of issuance is a specified NPC or specified ELI, respectively. The delta of a simple contract is determined, and the substantial equivalence test for a complex contract is performed, on the earlier of the date that the potential section 871(m) transaction is priced and the date when the potential section 871(m) transaction is issued; however, the issue date must be used if the potential section 871(m) transaction is priced more than 14 calendar days before it is issued.

Certain events could cause previously issued securities to be deemed to be issued as new securities for purposes of the effective dates provided in the regulations. For example, it is possible that the IRS could assert that a reconstitution or rebalancing of the underlying is a significant modification of the securities due to an exercise of discretion with respect to such reconstitution or rebalancing and, therefore, a deemed issuance of the securities upon the occurrence of such event. It is also possible that U.S. withholding tax could apply to the securities under these rules if a holder enters, or has entered, into certain other transactions in respect of the underlying equity or the securities. A holder that enters, or has entered, into other transactions in respect of the underlying or the securities should consult its own tax advisor regarding the application of Code section 871(m) to its securities in the context of its other transactions.

Withholding on payments will be based on actual dividends or, if otherwise notified by the Issuer in accordance with applicable regulations, on estimated dividends used in pricing the security. If a security provides for any payments in addition to estimated dividends to reflect dividend amounts on the underlying security, withholding will be based on the total payments. If an issue of securities is a section 871(m) transaction, information regarding the amount of each dividend equivalent, the delta of the potential 871(m) transaction, the amount of any tax withheld and deposited, the estimated dividend amount and any other information necessary to apply the regulations in respect of such securities will be provided, communicated, or made available to holders of the securities in a manner permitted by the applicable regulations.

U.S. tax will be withheld on any portion of a payment or deemed payment (including, if appropriate, the payment of the purchase price) that is a dividend equivalent. If withholding applies, non-U.S. holders that are entitled to a lower rate of withholding under a tax treaty may be able to claim a refund for any excess amounts withheld by filing a U.S. tax return. However, holders may not receive the necessary information to properly claim a refund for any withholding in excess of the applicable treaty-based amount. In addition, a holder's resident tax jurisdiction may not permit the holder to take a credit for U.S. withholding taxes related to the dividend equivalent amount. The Issuer will not pay any additional amounts with respect to amounts withheld.

Foreign Investment in U.S. Real Property

A holder may be subject to U.S. federal income tax on a disposition of a "U.S. real property interest" as defined in Treasury Regulations section 1.897-1(c) (a "USRPI"). Any gain on such disposition is treated as effectively connected with a U.S. trade or business of the non-U.S. holder and is subject to tax and withholding on the amount realized on the disposition. A USRPI may consist of a direct interest in U.S. real property or an interest in a United States real property holding corporation (a "USRPHC") within the meaning of section 897 of the Code. However, an interest in a USRPHC that does not exceed generally 5% of the corporation's regularly traded stock is not a USRPI.

Thus, a holder who owns directly, indirectly or constructively, shares of any of the underlying that are considered to be a USRPI, or other interests having a return based on the appreciation in the value of, or in the gross or net proceeds or profits generated by, such underlying, may be subject to U.S. federal income tax on the sale or exchange of the securities if such holder owns more than generally 5% of the shares of such underlying when considering the shares or interests of such underlying that are directly, indirectly or constructively owned by such holder. Ownership of the securities may also impact the taxation of such other shares or interests.

We have not, and will not, attempt to ascertain whether the issuer of shares in any underlying is a USRPHC. It is possible that the issuer of shares in an underlying is a USRPHC, and that the securities constitute an ownership interest in or an option on a USRPI, with the consequences described above. It is also possible that the issuer of shares in such underlying is not a USRPHC. In making its investment decision, a holder should be prepared to accept the tax treatment that results from either the underlying being treated as a USRPI or from the underlying not being a USRPI.

Each holder, in connection with acquiring the securities, is deemed to represent that it does not own, and will not own, more than 5% of the shares of each of the underlying that is considered to be a USRPHC, either directly, indirectly or constructively. We and any withholding agent will rely on the accuracy of this representation. For purposes of this discussion, any interest other than solely as a creditor within the meaning of Treasury Regulations Section 1.897-1(d) shall be treated as ownership of shares of the underlying. Even if the Issuer does not withhold, there can be no assurances that an intermediary withholding agent will not withhold in respect of a security. Further, holders may have U.S. income tax liability that exceeds amounts withheld, if any. The Issuer will not make any additional payments for any amounts withheld or tax liability arising under section 897 of the Code.

Holders should consult their own tax advisors on the impact of other shares or interests in the underlying, the impact of ownership of the securities on such other shares or interests, and the consequences of making the representation in the preceding paragraph.

U.S. Federal Estate Tax Treatment

A security may be subject to U.S. federal estate tax if an individual holds the security at the time of his or her death. The gross estate of a holder domiciled outside the United States includes only property situated in the United States. Holders should consult their tax advisors regarding the U.S. federal estate tax consequences of holding the securities at death.

Backup Withholding and Information Reporting

A holder of the securities may be subject to backup withholding with respect to certain amounts paid to such holder unless it provides a correct taxpayer identification number, complies with certain certification procedures establishing that it is not a U.S. holder or establishes proof of another applicable exemption, and otherwise complies with applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. A holder can claim a credit against its U.S. federal income tax liability for amounts withheld under the backup withholding rules, and amounts in excess of its liability are refundable if such holder provides the required information to the IRS in a timely fashion. A holder of the securities may also be subject to information reporting to the IRS with respect to certain amounts paid to such holder unless it (1) provides a properly executed IRS Form W-8 (or other qualifying documentation) or (2) otherwise establishes a basis for exemption. If such withholding applies, we will not be required to pay any additional amounts with respect to amounts withheld.

PLACING AND SALE

General

We have not taken, and will not take, any action that would permit a public offering of the structured products or possession or distribution of any offering material in relation to the structured products in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any structured products, or distribution of any offering material relating to the structured products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on us. In the event that we contemplate a placing, placing fees may be payable in connection with any issue and we may at our discretion allow discounts to placees.

United States of America

The structured products have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**"), or the securities laws of any state or other jurisdiction of the United States. The structured products may not be offered or sold or otherwise transferred, nor may transactions in such structured products be executed, at any time, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except in compliance with Regulation S. In purchasing the structured products you hereby warrant that you are not a U.S. person as defined in Regulation S and that you are not purchasing for, or for the account or benefit of, any such person. You further agree to resell such structured products only in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or another available exemption therefrom and agree not to engage in hedging transactions with respect to the structured products unless in compliance with the Securities Act. You acknowledge that any transfer of the structured products by you other than in compliance with the preceding sentence is prohibited and will not be effected to the fullest extent permitted by law.

European Economic Area

From 1 January 2018, each dealer represents and agrees, and each further dealer appointed in respect of the structured products will be required to represent and agree that, it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any structured products which are the subject of the offering as contemplated by this Base Listing Document to any retail investor in the European Economic Area. For the purposes of this provision:

a) the expression "**retail investor**" means a person who is one (or more) of the following:

   i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

   ii. a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   iii. not a qualified investor as defined in the Prospectus Directive; and

b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the structured products to be offered so as to enable an investor to decide to purchase or subscribe the structured products.

Prior to 1 January 2018, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), each dealer has represented and agreed, and each further dealer appointed in respect of the structured products will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of structured products which are the subject of the offering contemplated by this Base Listing Document as completed by the relevant offering document in relation thereto to the public in that Relevant Member State other than:

(a) if the relevant offering document in relation to the structured products specify that an offer of those structured products may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such structured products which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the relevant offering document contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or relevant offering document, as applicable, and we have consented in writing to its use for the purpose of that Non-exempt Offer;

(b) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(d) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of structured products referred to in (b) to (d) above shall require the Issuer or any dealer to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression relating to an "**offer of structured products to the public**" in relation to any structured products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the structured products to be offered so as to enable an investor to decide to purchase or subscribe the structured products, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each dealer has represented and agreed, and each further dealer appointed in respect of the structured products will be required to represent and agree, that:

(a) in respect to structured products having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any structured products other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the structured products would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any structured products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any structured products in, from or otherwise involving the United Kingdom.

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the structured products. Please consider all risks carefully prior to investing in any structured products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the structured products. Please read the following section together with the risk factors set out in the relevant launch announcement and supplemental listing document.

General risks relating to us

Non-collateralised structured products

The structured products are not secured on any of our assets or any collateral. Each series of structured products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations. At any given time, the number of our structured products outstanding may be substantial.

Repurchase of our structured products

We may repurchase structured products at any time from time to time in the private market or otherwise at a negotiated price or the prevailing market price, at our discretion. You should not therefore make any assumption as to the number of structured products in issue at any time.

Our creditworthiness

If you purchase our structured products, you are relying upon our creditworthiness and have no rights under the structured products against:

(a) any company which issues the underlying shares;

(b) the trustee or the manager of the underlying unit; or

(c) the index compiler of the underlying index.

We do not guarantee the repayment of your investment in any structured products. If we become insolvent or default on our obligations under the structured products, you can only claim as our unsecured creditor regardless of the performance of the underlying asset and you may not be able to recover all or even part of the amount due under the structured products (if any).

Any downgrading of our rating by our rating agencies could result in a reduction in the value of the structured products.

Swiss resolution proceedings and resolution planning requirements

Pursuant to Swiss banking laws, the Swiss bank resolution regime applies to a Swiss bank, such as us and, since January 1, 2016, to a Swiss parent company of a financial group, such as Credit Suisse Group AG, amongst others. Under such resolution regime, FINMA is able to exercise its broad statutory powers thereunder with respect to such entities, including its powers to order protective measures, institute restructuring proceedings (and exercise any Swiss resolution powers in connection therewith), and institute liquidation proceedings, if there is justified concern that such entity is over-indebted, has serious liquidity problems or, after the expiry of a deadline, no longer fulfils capital adequacy requirements.

Protective measures may include (a) giving instructions to our governing bodies, (b) appointing an investigating agent, (c) stripping our governing bodies of their power to legally represent us or remove them from office, (d) removing our regulatory or company-law audit firm from office, (e) limiting our business activities, (f) forbidding us to make or accept payments or undertake security trades, (g) closing us down, or (h) except for mortgage-secured receivables of central mortgage bond institutions, ordering a moratorium or deferral of payments. We will have limited ability to challenge any such protective measures. Additionally, creditors, including holders of structured products, would have no right under Swiss law and in Swiss courts to reject, seek the suspension of, or to challenge the imposition of any such protective measures.

Resolution powers that may be exercised during restructuring proceedings with respect to us include the power to (a) transfer the assets, or portions thereof, together with debt and other liabilities, or portions thereof, and contracts, to another entity, (b) stay (for a maximum of two business days) the termination of, and the exercise of rights to terminate, netting rights, rights to enforce or dispose of certain types of collateral or rights to transfer claims, liabilities or certain collateral under, contracts to which the entity subject to such restructuring proceedings is a party, and/or (c) partially or fully convert into our equity and/or write-down our liabilities, including with respect to the structured products, if any. Creditors, including holders of the structured products, will have no right to reject, or to seek the suspension of, any restructuring plan pursuant to which such resolution powers are exercised with respect to us. Holders of structured products will have only limited rights to challenge any decision to exercise resolution powers with respect to us or to have that decision reviewed by a judicial or administrative process or otherwise.

We are currently subject to resolution planning requirements in Switzerland, the US and the UK and may face similar requirements in other jurisdictions. If a resolution plan is determined by the relevant authority to be inadequate, relevant regulations may allow the authority to place limitations on the scope or size of our business in that jurisdiction, require us to hold higher amounts of capital or liquidity, require us to divest assets or subsidiaries or to change our legal structure or business to remove the relevant impediments to resolution.

In any event, the exercise of any resolution power by the relevant resolution authority in respect of us could materially adversely affect the value of structured products, and you may not be able to recover all or even part of the amount due under the structured products.

For a description of current resolution regime under Swiss banking laws as it applies to us and, since January 1, 2016, to Credit Suisse Group AG, please refer to "Regulatory framework — Switzerland — Resolution Regime" under "Information on the Company — Regulation and Supervision" of the Credit Suisse annual report 2016.

No deposit liability or debt obligation

We are obliged to deliver to you the cash settlement amount or the entitlement (as the case may be) under the conditions applicable to the relevant structured products upon expiry or exercise. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any structured product.

We are not the ultimate holding company of the group

We are not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of the group to which we belong is Credit Suisse Group AG.

Conflicts of interest

Credit Suisse Group AG constitutes a diversified financial services group with relationships in countries around the world. We engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for our own account or the account of others. In addition, Credit Suisse Group AG, in connection with our other business activities, may possess or acquire material information about any underlying assets. Such activities and information may involve or otherwise affect the issuers of the underlying assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with our issue of structured products. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. Credit Suisse Group AG has no obligation to disclose such information about the underlying assets, baskets of shares and/or indices or such activities. Credit Suisse Group AG and our respective officers and directors may engage in any such activities without regard to our issue of structured products or the effect that such activities may directly or indirectly have on any structured product. In the ordinary course of our business, including without limitation in connection with us or our appointed liquidity provider's market making activities, Credit Suisse Group AG may effect transactions for our own account or for the account of our customers and hold long or short positions in the underlying assets or related derivatives. In addition, in connection with the offering of any structured product, we or any member of Credit Suisse Group AG may enter into one or more hedging transactions with respect to the underlying assets or related derivatives. In connection with such hedging or market making activities or with respect to proprietary or other trading activities by us or any member of Credit Suisse Group AG, we may enter into transactions in the underlying assets or related derivatives which may affect the market price, liquidity or value of the structured products and which may affect your interests in the structured products.

In particular, you should note that we issue a large number of financial instruments, including the structured products, on a global basis. The number of such financial instruments outstanding at any time may be substantial. We have substantially no obligation to any holder of the structured products other than to pay amounts in accordance with the applicable conditions and in the relevant launch announcement and supplemental listing document. We do not in any respect underwrite or guarantee the performance of any structured product. Any profit or loss realised by you in respect of a structured product upon exercise or otherwise due to changes in the value of such structured product, or the price or level of the underlying asset, is solely for your own account. In addition, we have the absolute discretion to put in place any hedging transaction or arrangement which we consider appropriate in connection with any structured products or the applicable underlying asset. A reduction in our rating, if any, accorded to our outstanding debt securities by any one of our rating agencies could result in a reduction in the trading value of the structured products.

General risks relating to structured products

You may lose all your investment in the structured product

Structured products involve a high degree of risk, and are subject to a number of risks which may include interest, foreign exchange, time value, market, and/or political risks. Structured products may expire worthless.

Options warrants and asset linked instruments are priced primarily on the basis of the price or level of the underlying asset, the volatility of the underlying asset's price or level and the time remaining to expiry of the structured product.

The prices of structured products may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or a total loss of your investment in the structured products. Assuming all other factors are held constant, the more the price or level of the underlying asset of a structured product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

Our structured products are European style and they are only exercisable on their respective expiry dates and may not be exercised by you prior to the relevant expiry date. Accordingly, if on such expiry date the cash settlement amount (net of exercise expenses) is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a structured product means that, in order to recover and realise a return upon your investment in the structured products, you must generally be correct about the direction, timing and magnitude of an anticipated change in the price or level of the underlying asset.

Changes in the price or level of an underlying asset can be unpredictable, sudden and large and such changes may result in the price or level of the underlying asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price or level of the relevant underlying asset does not move in the anticipated direction.

The value of the structured products may be disproportionate or opposite to movement in price or level of the underlying assets

An investment in structured products is not the same as owning the underlying asset or having a direct investment in the underlying asset. The market values of structured products are linked to the relevant underlying assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. For example, for a call warrant, it is possible that while the price or level of the underlying assets is increasing, the value of the structured product is falling.

You should recognise the risks of utilising structured products if you intend to purchase any series of structured products to hedge against the market risk associated with investing in the relevant underlying asset. The value of the structured products may not exactly correlate with the price or level of the underlying asset. Due to fluctuations in supply and demand for structured products, there is no assurance that their value will correlate with movements in the price or level of the underlying asset. The structured products may not be a perfect hedge to the underlying asset or portfolio of which the underlying asset forms a part.

Furthermore, it may not be possible to liquidate the structured products at a price or level which directly reflects the price or level of the underlying asset or portfolio of which the underlying asset forms a part. You may therefore suffer substantial losses in the structured products notwithstanding any losses suffered with respect to investments in or exposures to any underlying assets.

Possible illiquidity of secondary market

It is not possible to predict:

(a) if and to what extent a secondary market may develop in any series of structured products;

(b) at what price such series of structured products will trade in the secondary market; and

(c) whether such market will be liquid or illiquid.

The fact that the structured products are listed does not necessarily lead to greater liquidity than if they were not listed.

We intend to apply to list each series of structured products on the stock exchange. There can be no assurance that the listing of a series of structured products at the stock exchange can be maintained.

If any series of structured products are not listed or traded on any exchange, pricing information for such series of structured products may be difficult to obtain and the liquidity of that series of structured products may be adversely affected.

The liquidity of any series of structured products may also be affected by restrictions on offers and sales of the structured products in some jurisdictions. Transactions in off-exchange structured products may be subject to greater risks than dealing in exchange-traded structured products. To the extent that any structured products of a series is exercised or closed out, the number of structured products outstanding in that series will decrease, which may result in a lessening of the liquidity of structured products. A lessening of the liquidity of the affected series of structured products may cause, in turn, an increase in the volatility associated with the price of such structured products.

We, acting through our liquidity provider, may be the only market participant for the structured products. Therefore, the secondary market for the structured products may be limited. We and our liquidity provider may at any time purchase the structured products at any price in the open market or by tender or private agreement, subject to the requirements under the listing rules relating to the provision of liquidity, as described further in the relevant launch announcement and supplemental listing document. The more limited the secondary market is for any particular series of the structured products, the more difficult for you to realise the value of your structured products prior to the expiration date.

Interest rates

Investments in the structured products may involve interest rate risk with respect to the currency of denomination of the underlying assets and/or the structured products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the structured products at any time prior to valuation of the underlying assets relating to the structured products.

Exchange rate risk

There may be an exchange rate risk in the case of structured products where the cash settlement amount will be converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation.

Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the structured products. Fluctuations in the exchange rates of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies. There can be no assurance that rates of exchange between any relevant currencies which are current at the date of issue of any structured products will be representative of the rates of exchange used in computing the value of the relevant structured products at any time thereafter.

Where structured products are described as being "quantoed", the value of the underlying assets will be converted from one currency (the **original currency**) into a new currency (the **new currency**) on the date and in the manner specified in, or implied by, the applicable conditions using a fixed exchange rate. The cost to us of maintaining such a fixing between the original currency and the new currency will have an implication on the value of the structured products, which will vary during the term of the structured products. No assurance can be given as to whether or not, taking into account relative exchange rates and interest rate fluctuations between the original currency and the new currency, a quanto feature in a structured product would at any time enhance the return on the structured product over a level of a similar structured product issued without such a quanto feature.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time.

Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed "Taxation" for further information.

Modification to the conditions

Under the conditions, we may without your consent, effect any modification of terms and conditions of the structured products or the global certificate which, in our opinion, is:

(a) not materially prejudicial to the interests of the holder of the structured products generally (without considering the circumstances of any individual holder or the tax or other consequences of such modification in any particular jurisdiction);

(b) of a formal, minor or technical nature;

(c) made to correct a manifest error; or

(d) is necessary in order to comply with any mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, it has become or it will become illegal or impracticable for us to perform our obligations under the structured products in whole or in part as a result of our compliance with any applicable law, we may terminate the structured products. In such event, we will, if and to the extent permitted by applicable law, pay an amount calculated by us in good faith and in a commercially reasonable manner to be the fair market value of the structured products prior to such termination notwithstanding the illegality or impracticability less our cost of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Risks relating to the underlying asset

You have no right to the underlying asset

Unless specifically indicated in the conditions, you will not be entitled to:

(a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the shares or units would normally be entitled to; or

(b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in the structured products involve valuation risk in relation to the relevant underlying asset. The price or level of the underlying asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions (where the underlying asset is a share), changes in computation or composition (where the underlying asset is an index), macro economic factors and market trends.

You must be experienced with dealing in these types of structured products and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any structured product in light of your particular financial circumstances, the information regarding the relevant structured product and the particular underlying asset to which the value of the relevant structured product relates.

Adjustment related risk

Certain events relating to the underlying asset require or, as the case may be, permit us to make certain adjustments or amendments to the conditions. You have limited anti-dilution protection under the conditions. We may, in our sole discretion adjust, among other things, the entitlement, the exercise price, the call price (if applicable) or any other terms (including without limitation the average price or the closing level of the underlying asset) of any series of structured product. However, we are not required to adjust for every event that may affect an underlying asset, such as changes in computation or composition (where the underlying asset is an index), macro economic factors or market trends that affect the underlying asset, in which case the market price of the structured products, and the return upon the expiry of the structured products may be affected.

For structured products linked to an index, the index level may be published by the index compiler at a time when one or more components comprising the index are not trading. If this occurs on a valuation date and there is no market disruption event called under the conditions, then the closing level of the index may be calculated by the index compiler by reference to the remaining components. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

If the underlying assets are suspended from trading or dealing for whatever reason on the market on which they are listed or dealt in (including the stock exchange), trading in the relevant series of structured products will be suspended for a similar period. The value of the structured products will decrease over time as the length of the period remaining to expiration becomes shorter. You should note that in the case of a prolonged suspension period, the market price of the structured products will be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the structured products. This may adversely affect your investment in the structured products.

Delay in settlement

Unless otherwise specified in the relevant conditions, there may be a time lag between the date on which the structured products expire, and the time the applicable settlement amount relating to such event is determined.

Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such structured products arising from our determination that a market disruption event, settlement disruption event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the conditions.

The relevant settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount.

You should note that in the event of there being a settlement disruption event or a market disruption event, payment of the cash settlement amount may be delayed as more fully described in the conditions.

Risks relating to structured products over trusts

General risks

In the case of structured products which relate to the units of a trust:

(a) neither we nor any of our affiliates have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any structured product in any way, or (ii) has any obligation to consider the interest of the holders of any structured product in taking any corporate action that might affect the value of any structured product; and

(b) we have no role in the relevant trust. The manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

Exchange traded funds

In the case of structured products linked to units of an exchange traded fund (**ETF**), you should note that:

(a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;

(b) there may be disparity between the performance of the ETF and he performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and

(c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the structured products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the underlying asset comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (**Synthetic ETF**), you should note that:

(a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and

(b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of structured products linked to such ETF or Synthetic ETF.

*RQFII ETF **(RQFII ETF)***

An RQFII ETF is denominated in Renminbi (**RMB**) issued and traded outside Mainland China with direct investment in the Mainland China's securities markets through the RMB Qualified Foreign Institutional Investor (**RQFII**) regime. Where the underlying asset comprises the units of an RQFII ETF, you should note that, amongst others:

(a) the novelty and untested nature of an RQFII ETF make it riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of the relevant trust and the trading price of the relevant units;

(b) an RQFII ETF primarily invests in securities traded in the Mainland China's securities markets and is subject to concentration risk. Investment in the Mainland China's securities markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of an RQFII ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets; and

(c) an RQFII ETF will utilise its manager's RQFII quota allocated to such fund under the RQFII regime. In the event that RQFII quota allocated to the RQFII ETF is reached and the manager is unable to acquire additional RQFII quota for the RQFII ETF, the manager may need to suspend creation of further units of the RQFII ETF, and therefore may affect liquidity in unit trading of the RQFII ETF. In such event, the trading price of a unit of the RQFII ETF is likely to be at a significant premium to its net asset value, and may be highly volatile.

The above risks may have a significant impact on the performance of the relevant RQFII ETF and hence the market price of structured products linked to such RQFII ETF.

Please read the offering documents of the relevant RQFII ETF to understand its key features and risks.

ETF traded through dual counters model

Where the underlying asset comprises the units of an ETF which adopts the dual counters model for trading its units on the stock exchange in RMB and Hong Kong dollars (**HKD**) separately, the novelty and relatively untested nature of the stock exchange's dual counters model may bring the following additional risks:

(a) the structured products may be linked to the HKD-traded units or the RMB-traded units. If the underlying asset is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the structured products. Similarly, if the underlying asset is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the structured products;

(b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units will only be able to be traded in the relevant currency counter on the stock exchange, which may affect the demand and supply of such units and have an adverse effect on the price of the structured products; and

(c) the trading prices on the stock exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of the underlying asset in HKD or RMB (as the case may be) may adversely affect the price of the structured products.

*Real estate investment trust (**REIT**)*

Where the underlying asset comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant REIT and hence the market price of structured products linked to such REIT.

Risks relating to our warrants

Time decay

The settlement amount of a series of warrants at any time prior to expiration may be less than the trading price of such warrants at that time. The difference between the trading price or level and the settlement amount will reflect, among other things, a “time value” of the warrants. The “time value” of the warrants will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future price or level of the underlying assets. The value of the warrants is likely to decrease over time.

Therefore, the warrants should not be viewed as products for long term investments.

Risks relating to our CBBCs

You may lose all or substantially all of your investment upon the occurrence of a mandatory call event

CBBCs are not suitable for all types of investors. You should not invest in the CBBCs unless you understand the nature of the CBBCs and are prepared to lose all or substantially all of your investment in the CBBCs. The CBBCs will be terminated upon the occurrence of a mandatory call event and you will not be able to benefit from your investment in the CBBCs even if the performance of the underlying asset recovers subsequent to the occurrence of the mandatory call event. When a mandatory call event occurs, payoff for a category N CBBC will be zero and for a category R CBBC, you may lose all of your investment or receive a small amount of residual value payment. Please refer to the section headed “Overview of CBBCs” for more information.

Correlation between the price of a CBBC and the price or level of the underlying asset

When the underlying asset of a CBBC is trading at a price or level close to its call price or call level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate with the change in the price or level of the underlying asset.

Mandatory call event is irrevocable

A mandatory call event is irrevocable unless it is triggered as a result of any of the following events:

(a) system malfunction or other technical errors of the stock exchange (such as the setting up of wrong call price or call level and other parameters) and such event is reported by the stock exchange to us and we and the stock exchange mutually agree that such mandatory call event is to be revoked; or

(b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the index compiler) and such event is reported by us to the stock exchange and we and the stock exchange mutually agree that such mandatory call event is to be revoked,

in each case, such mutual agreement must be reached no later than the time specified in the relevant launch announcement and supplemental listing document or such other time as prescribed by the stock exchange from time to time. Upon revocation of the mandatory call event, trading of the CBBCs will resume and any trade cancelled after such mandatory call event will be reinstated.

Delay in announcements of a mandatory call event

The stock exchange will notify the market as soon as practicable after the CBBC has been called upon the occurrence of a mandatory call event. You must however be aware that there may be delay in the announcement of a mandatory call event due to technical errors or system failures and other factors that are beyond our control or the control of the stock exchange.

Non-recognition of post MCE trades

The stock exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and, without regard to the circumstances giving rise to any purported claim (except in the case of wilful misconduct on the part of the stock exchange and/or HKEX)) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the mandatory call event or the suspension of trading (**trading suspension**) or the non-recognition of trades after a mandatory call event (**non-recognition of post MCE trades**), including, without limitation, any delay, failure, mistake or error in the trading suspension or non-recognition of post MCE trades.

We and our affiliates shall not have any responsibility towards you for any losses suffered as a result of the trading suspension and/or non-recognition of post MCE trades in connection with the occurrence of a mandatory call event, the resumption of trading of the CBBCs or reinstatement of any post MCE trades cancelled as a result of the reversal of any mandatory call event, notwithstanding that such trading suspension and/or non-recognition of post MCE trades occur as a result of an error in the observation of the event.

Residual value will not include residual funding cost

In respect of category R CBBCs, the residual value (if any) payable by us following the occurrence of a mandatory call event will not include the residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of a category R CBBC following the occurrence of a mandatory call event.

Our hedging activities may adversely affect the price or level of the underlying asset

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the underlying asset (whether for risk reduction purposes or otherwise). In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging transactions with respect to the underlying asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the underlying asset which may affect the market price, liquidity or price or level of the underlying asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or any of our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the underlying asset or in derivatives linked to the underlying asset. Further, it is possible that the advisory services which we or any of our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the underlying asset.

Unwinding of hedging arrangements

Our or our affiliates' trading and/or hedging activities related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price or level of the underlying asset and may trigger a mandatory call event. In particular, when the underlying asset is trading close to the call price or the call level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price or level of the underlying asset, leading to a mandatory call event as a result of such unwinding activities.

In respect of category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a mandatory call event.

In respect of category R CBBCs, before the occurrence of a mandatory call event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a mandatory call event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a mandatory call event may affect the trading price or level of the underlying asset and consequently the residual value for the CBBCs.

Possible early termination for hedging disruption

If we determine that a hedging disruption event has occurred, we may at our absolute discretion terminate the CBBCs. In such event, we will, if and to the extent permitted by applicable law, pay an amount calculated by us to be the fair market value of the CBBCs prior to such termination less our cost of unwinding any related hedging arrangements.

Risks relating to the legal form of the structured products

Each series of structured products will be issued in global registered form and represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a CCASS participant).

The register for the relevant structured products will only record at all times that 100% of such structured products are held by HKSCC Nominees Limited, being the only legal owner. The evidence of your title, as well as the efficiency of ultimate delivery of the cash settlement amount (if any) under the structured products, will be subject to the CCASS Rules.

You should be aware of the following risks:

(a) you will not receive any definitive certificates representing your beneficial interests in the structured products;

(b) you may only refer to the records of CCASS or their brokers/custodians and the statements you receive to determine your beneficial interest in the structured products;

(c) any notices, announcements and/or information relating to meetings in respect of the structured products will only be delivered to you through the CCASS participants in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time; and

(d) our obligations under the conditions of the structured products will be duly performed by the payment of the cash settlement amount to HKSCC Nominees Limited as the registered holder of the structured products, all in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

Fee arrangements with brokers and conflicts of interest of brokers

We may enter into fee arrangements with brokers and/or any of their affiliates with respect to the placement of the structured products in the primary market. You should note that any brokers with whom we have a fee arrangement does not, and cannot be expected to, deal exclusively in the structured products, therefore any broker and/or its subsidiaries or affiliates may from time to time engage in transactions involving the underlying assets and/or the structured products of other issuers over the same underlying assets to which the particular series of structured products may relate, or other underlying assets as the case may be, for their proprietary accounts and/or for the accounts of their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the structured products and present certain conflicts of interests.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of structured products such that the effect of any individual risk factor may not be predictable. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of structured products.

GENERAL INFORMATION ABOUT US

Incorporation, registered office and objective

We were established on 5 July 1856 and registered in the Commercial Register of the Canton of Zurich on 27 April 1883 for an unlimited duration under the name of Schweizerische Kreditanstalt. Our name was changed to Credit Suisse First Boston on 11 December 1996 (by entry in the Commercial Register), effective as of 1 January 1997. Our name was then changed to Credit Suisse, effective as of 13 May 2005. Our name was further changed to Credit Suisse AG, effective as of 9 November 2009. We are a joint stock corporation established under Swiss law. Our share capital amounts to CHF 4,399,680,200, which is divided into 4,399,680,200 fully paid-up registered shares with a par value of CHF 1 each.

Members of our board of directors as of 13 April 2017*

Name	**Office held**	**Office address**
Urs Rohner	Chairman	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Jassim Bin Hamad J.J. Al-Thani	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Noreen Doyle	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Andreas N. Koopmann	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Jean Lanier	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Kai S. Nargolwala	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Richard E. Thornburgh	Director	Corsair Capital LLC 717 Fifth Avenue, 24th Floor New York, 10022 USA
John Tiner	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland

Name	Office held	Office address
Iris Bohnet	Director	Harvard Kennedy School Harvard University Cambridge Massachusetts, USA
Severin A. Schwan	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Seraina Maag	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Alexander Gut	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland
Joaquin J. Ribeiro	Director	Credit Suisse AG Paradeplatz 8 8001 Zurich Switzerland

* *The composition of the boards of directors of Credit Suisse Group AG and Credit Suisse AG is identical.*

ERISA matters

We and certain of our affiliates may each be considered a "party in interest" within the meaning of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**), or a "disqualified person" within the meaning of the United States Internal Revenue Code of 1986, as amended (the **code**) with respect to many employee benefit plans and individual retirement accounts, Keoghs and other plans subject to section 4975 of the code.

Certain transactions between an employee benefit plan and a party in interest or disqualified person may result in "prohibited transactions" within the meaning of ERISA and the code. Accordingly, structured products may not be purchased or held with the assets of (a) an "employee benefit plan" as defined in section 3(3) of ERISA, (b) a "plan" as defined in section 4975 of the code, or (c) an entity whose underlying assets include "plan assets" under US Department of Labor Regulation 29 CFR section 2510.3-101.

Credit Suisse Group AG and Credit Suisse AG

The United States Securities and Exchange Commission ("**SEC**") filings of Credit Suisse Group AG (the "**Group**") and Credit Suisse AG ("**CS**"), which may contain their annual and current reports, including interim financial information, or other relevant information, as filed with the SEC from time to time. The SEC filings of the Group and CS are available on the SEC's website at www.sec.gov and on the Group's website at www.credit-suisse.com.

APPENDIX 1 — GENERAL CONDITIONS OF THE STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the relevant Product Conditions set out in Appendix 2 and Appendix 3 to this Base Listing Document and the relevant Launch Announcement and Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions, the relevant Product Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Structured Products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these General Conditions and the relevant Product Conditions, replace or modify these General Conditions and the relevant Product Conditions for the purpose of such series of Structured Products.

1. Definitions

"**Applicable Law**" means any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power;

"**Base Listing Document**" means the base listing document relating to Structured Products dated 18 April 2017 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

"**Board Lot**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Cash Settlement Amount**" has the meaning given to it in the relevant Product Conditions;

"**CCASS**" means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

"**CCASS Rules**" means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

"**CCASS Settlement Date**" has the meaning ascribed to the term "Settlement Date" in the CCASS Rules, subject to such modification and amendment presented by Hong Kong Securities Clearing Company Limited from time to time;

"**Conditions**" means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

"**CS Hong Kong**" means Credit Suisse (Hong Kong) Limited, which expression shall include any successors to Credit Suisse (Hong Kong) Limited for the purposes of maintaining the Register;

"**Global Certificate**" means, in respect of the relevant Structured Products, a global certificate by way of deed poll dated the Issue Date executed by the Issuer;

"**HKEX**" means Hong Kong Exchanges and Clearing Limited;

"**Holder**" means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as entitled to a particular number of Structured Products and such person shall be treated by the Issuer and CS Hong Kong as the absolute owner and holder of such number of Structured Products;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Issue Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Issuer**" means Credit Suisse AG;

"**Launch Announcement and Supplemental Listing Document**" means the launch announcement and supplemental listing document relating to a particular series of Structured Products;

"**Product Conditions**" means, in respect of each series of Structured Product, the product specific terms and conditions that apply to that Structured Product;

"**Register**" means the register in respect of the Structured Products maintained by the Registrar under General Condition 3;

"**Register Maintenance Agreement**" means:

(a) in respect of Warrants and CBBCs, the base register maintenance agreement and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document) dated 23 April 2003 as supplemented by a Confirmation (as defined in such Register Maintenance Agreement) relating to the Structured Products made between, inter alias, the Issuer and CS Hong Kong; or

(b) in respect of other structured products, the agreement specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Registrar**" means CS Hong Kong or such other party as specified in the relevant Launch Announcement and Supplemental Listing Document;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Structured Products**" means derivative warrants ("**Warrants**"), callable bull/bear contracts ("**CBBCs**") and other structured products to be issued by the Issuer from time to time. References to "**Structured Products**" are to be construed as references to a particular series of Structured Products and, unless the context otherwise requires, include any further Structured Products issued pursuant to General Condition 9; and

"**Transfer Office**" means the specified office of CS Hong Kong or such other office as specified in the relevant Launch Announcement and Supplemental Listing Document.

2. Form, Status and Transfer

2.1 *Form*

The Structured Products are issued in registered form subject to and with the benefit of the Global Certificate and the relevant Register Maintenance Agreement. Copies of the Global Certificate and the relevant Register Maintenance Agreement are available for inspection at the Transfer Office.

The Holders are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Global Certificate and the relevant Register Maintenance Agreement.

2.2 ***Status***

The Structured Products represent general, unsecured, contractual obligations of the Issuer and of no other person and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

2.3 ***Transfer***

Transfers of beneficial interests in the Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

3. Register and Transfer Office

3.1 ***Maintenance of Register***

(a) In respect of each series of Structured Products, the Registrar will maintain a Register for that series.

The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar under the relevant Register Maintenance Agreement provided that it will at all times maintain or arrange for the maintenance of a Register.

Notice of any such termination or appointment and any change in the Transfer Office or the specified office of CS Hong Kong will be given to the Holders in accordance with General Condition 7.

(b) The Registrar will enter or cause to be entered the name, address and banking details of the Holders, the details of the relevant series of Structured Products held by any Holder including the number of Structured Products held, and any other particulars which it thinks proper.

(c) The Register will be maintained by the Registrar:

(i) in respect of a series of Warrants and CBBCs, in Hong Kong; and

(ii) in respect of other Structured Products, at such location as the Issuer and the Registrar may agree and specified in the relevant Launch Announcement and Supplemental Listing Document.

3.2 ***Registrar is the agent of the Issuer***

The Registrar for each series of Structured Products will be acting as the agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.

4. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

5. Global Certificate

Each series of the Structured Products is represented by a Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Holders will not be entitled to definitive certificates in respect of any Structured Products issued or transferred to them.

6. Meetings of Holders and Modifications to Conditions

6.1 *Meetings of Holders*

The relevant Register Maintenance Agreement contains provisions for the convening of meetings of the Holders to consider any matter affecting their interests, including sanctioning by Extraordinary Resolution (as defined in the relevant Register Maintenance Agreement) of a modification of the provisions of the Structured Products or of the Global Certificate.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 *Modification*

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Global Certificate which, in the opinion of the Issuer, is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction);

(b) of a formal, minor or technical nature;

(c) made to correct a manifest error; or

(d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by CS Hong Kong as soon as practicable thereafter in accordance with General Condition 7.

7. Notices

All notices to Holders will be validly given if published in English and in Chinese on the website of HKEX. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

8. Illegality or Impracticability

The Issuer is entitled to terminate the Structured Products if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Structured Products in whole or in part as a result of:

   (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

   (ii) the promulgation of, or any change in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

   (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Structured Products due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Structured Product held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holders in accordance with General Condition 7.

9. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further Structured Products so as to form a single series with the Structured Products.

10. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

11. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Structured Products.

12. Governing Law

The Structured Products, the Global Certificate and the relevant Register Maintenance Agreement will be governed by and construed in accordance with the laws of Hong Kong.

The Issuer and each Holder (by its purchase of the Structured Products) shall be deemed to have submitted for all purposes in connection with the Structured Products, the Global Certificate and the relevant Register Maintenance Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

13. Language

In the event of any inconsistency between the Chinese translation and the English version of these General Conditions and/or the applicable Product Conditions, the English version of these General Conditions and/or the applicable Product Conditions shall prevail.

APPENDIX 2 — PRODUCT CONDITIONS OF THE WARRANTS

PART A — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE EQUITIES (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means the arithmetic mean of the closing prices of one Share, as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Average Price - Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Exercise Price - Average Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**Company**" means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Exercise Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Expiry Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

"**Number of Warrant(s) per Entitlement**" means the amount specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single equities;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Shares**" means the shares of the Company specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

"**Valuation Date**" means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

(a) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

2.2 ***Exercise Expenses***

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

3.1 ***Exercise of Warrants in Board Lots***

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 ***Automatic Exercise***

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 ***Cancellation***

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 ***Cash Settlement***

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4. Adjustments

4.1 ***Rights Issues***

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be adjusted on the Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) ("**Ordinary Dividend**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

PART B — PRODUCT CONDITIONS OF INDEX CALL/PUT WARRANTS (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot:

(a) in respect of a series of call Warrants:

$$\frac{\text{(Closing Level - Strike Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

(b) in respect of a series of put Warrants:

$$\frac{\text{(Strike level - Closing Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

"**Closing Level**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to the adjustment in accordance with Product Condition 4;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Divisor**" means the amount specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“**Expiry Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Compiler**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Currency Amount**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Exchange**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Interim Currency**” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Listing Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Market Disruption Event**” means:

(a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:

(i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or

(ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or

(iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (a), (i) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (ii) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

(b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or; (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or

(c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in the Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Price Source**", if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled index call/put Warrants;

"**Second Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Strike Level**" means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to adjustment in accordance with Product Condition 4; and

"**Valuation Date**" means the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3 the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

2.2 ***Exercise Expenses***

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

3.1 ***Exercise of Warrants in Board Lots***

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 *Automatic Exercise*

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 *Cancellation*

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 *Cash Settlement*

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4. Adjustments to the Index

4.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "**Successor Index Compiler**") acceptable to the Issuer, or (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 ***Modification and Cessation of Calculation of Index***

If:

(a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or

(b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the closing level on the Valuation Date using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

4.3 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.4 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

PART C — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE UNIT TRUSTS (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means the arithmetic mean of the closing prices of one Unit, as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Average Price - Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Exercise Price - Average Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Exercise Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Expiry Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

"**Number of Warrant(s) per Entitlement**" means the amount specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single unit trusts;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Trust**" means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

"**Valuation Date**" means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

(a) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

2.2 ***Exercise Expenses***

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

3.1 ***Exercise of Warrants in Board Lots***

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 ***Automatic Exercise***

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 ***Cancellation***

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 ***Cash Settlement***

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4. Adjustments

4.1 ***Rights Issues***

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjustment Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of on the Stock Exchange on the last Business Day on which the Units are traded on a cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be adjusted on the Business Day on which trading in the Units of the Trust becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

Adjusted Entitlement = Adjustment Factor x E

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Trust shall subdivide its Units or any class of its outstanding units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding units into a smaller number of units (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) ("**Ordinary Distribution**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit's closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date.

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

5. Termination or Liquidation

5.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5.2 For the purpose of this Product Condition 5, "**Termination**" means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

6. Delisting

6.1 If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 Without prejudice to the generality of Product Condition 6.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

PART D — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE FOREIGN EQUITIES (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means the arithmetic mean of the official closing prices of one Share, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Average Price - Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(if applicable) converted from Underlying Currency into the Settlement Currency at the Exchange Rate

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Exercise Price - Average Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(if applicable) converted from Underlying Currency into the Settlement Currency at the Exchange Rate

"**Company**" means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exchange Rate**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Exercise Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Expiry Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Underlying Exchange or otherwise) on the Underlying Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or

(b) a closure of the Underlying Exchange or a disruption or limitation in trading on the Underlying Exchange due to any other unforeseen circumstances;

"**Number of Warrant(s) per Entitlement**" means the amount specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single foreign equities;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Shares**" means the shares of the Company specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

"**Underlying Currency**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Underlying Exchange**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Underlying Exchange Business Day**" means a day (excluding Saturdays, Sundays or public holidays) on which the Underlying Exchange is scheduled to open for dealings during its regular trading sessions;

"**Valuation Date**" means each of the five Underlying Exchange Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Underlying Exchange Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on an Underlying Exchange Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the official closing price of the Shares on the first succeeding Underlying Exchange Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five official closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

(a) the Underlying Exchange Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the official closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

2.2 ***Exercise Expenses***

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

3.1 ***Exercise of Warrants in Board Lots***

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 ***Automatic Exercise***

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 ***Cancellation***

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 ***Cash Settlement***

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4. Adjustments

4.1 ***Rights Issues***

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the official closing price of an existing Share on the Underlying Exchange on the last Underlying Exchange Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be adjusted on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price will be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price will be increased in the same ratio as the Consolidation, in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Underlying Exchange Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) ("**Ordinary Dividend**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's official closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The official closing price of the existing Share on the Underlying Exchange on the Underlying Exchange Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 If at any time the Shares cease to be listed on the Underlying Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Underlying Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

APPENDIX 3 — PRODUCT CONDITIONS OF THE CBBCs

PART A — PRODUCT CONDITIONS OF INDEX CALLABLE BULL/BEAR CONTRACTS (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Level**" means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustments in accordance with Product Condition 5;

"**Cash Settlement Amount**" means, in respect of every Board Lot:

(a) following a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value; or

(ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{(\text{Closing Level - Strike Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate; and

(ii) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{(\text{Strike Level - Closing Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate.

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Level is equal to the Strike Level;

"**Category R CBBCs**" means a series of CBBCs where the Call Level is different from the Strike Level;

"**Closing Level**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Divisor**" means the amount specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Exchange Rate**", if applicable, means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

"**Expiry Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**First Exchange Rate**", if applicable, means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Index**" means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Business Day**" means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

"**Index Compiler**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Currency Amount**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Exchange**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Interim Currency**", if applicable, means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Mandatory Call Event**" occurs if the Spot Level at any time during an Index Business Day in the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Level; or

(b) in the case of a series of bear CBBCs, at or above the Call Level;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on the Trading Day or Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:

(i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or

(ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or

(iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (a), (i) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (ii) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

(b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in the Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Maximum Index Level**" means, in respect of Category R CBBCs, the highest Spot Level of the Index during the MCE Valuation Period;

"**MCE Valuation Period**" means:

(a) in respect of an Index Exchange located in Hong Kong, the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Index Exchange during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Index Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which the Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

(i) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(ii) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level published by the Index Compiler and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only; and

(b) in respect of an Index Exchange located outside Hong Kong, the period specified in the relevant Launch Announcement and Supplemental Listing Document;

"**Minimum Index Level**" means, in respect of Category R CBBCs, the lowest Spot Level of the Index during the MCE Valuation Period;

"**Observation Commencement Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

"**Post MCE Trades**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Price Source**", if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled index callable bull/bear contracts;

"**Residual Value**" means, in respect of every Board Lot:

(a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{(Minimum Index Level - Strike Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate; and

(b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{(Strike Level - Maximum Index Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

"**Second Exchange Rate**", if applicable, means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Spot Level**" means:

(a) if no Price Source is specified, the spot level of the Index as compiled and published by the Index Compiler; or

(b) if a Price Source is specified, the spot level of the Index as published on the Price Source;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Strike Level**" means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to adjustment in accordance with Product Condition 5;

"**Trading Day**" means the day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

"**Valuation Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Hedging Disruption

2.1 ***Notification***: The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (including, without limitation, any hedging transaction with respect to options or futures relating to the Index, or any currency in which the components of the Index are denominated) (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer's obligations in respect of the CBBCs, or (Y) to freely realise, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the components comprising the Index;

(b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(d) the general unavailability of:

(i) market participants who will agree to enter into a Relevant Hedging Transaction; or

(ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 ***Consequences***: The Issuer, in the event of a Hedging Disruption Event, may determine to:

(a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

(b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

3. CBBC Rights and Exercise Expenses

3.1 ***CBBC Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 ***Exercise Expenses***

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

4. EXERCISE OF CBBCs

4.1 ***Exercise of CBBCs in Board Lots***

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 ***Automatic exercise***

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 ***Mandatory Call Event***

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7.

Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

(ii) manifest errors caused by the relevant third party where applicable (such as miscalculation of the index level by the Index Compiler) and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Launch Announcement and Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 ***Exercise Expenses***

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 ***Cancellation***

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of a valid exercise in accordance with these Product Conditions or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 ***Responsibility of Issuer and Registrar***

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities or currencies comprising the Index.

4.9 ***Liability of Issuer and Registrar***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 ***Trading in the CBBCs***

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

5. Adjustments to the Index

5.1 ***Successor Index Compiler Calculates and Reports Index***

If the Index is (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "**Successor Index Compiler**") acceptable to the Issuer, or (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

5.2 ***Modification and Cessation of Calculation of Index***

If:

(a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or

(b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the closing level on the Valuation Date using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

5.3 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.4 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

PART B — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Launch Announcement and Supplemental Listing Document.

1 Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) following a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value; or

(ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs, an amount equal to:

$$\frac{\text{Entitlement x (Closing Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(ii) in respect of a series of bear CBBCs, an amount equal to:

$$\frac{\text{Entitlement x (Strike Price - Closing Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Price is equal to the Strike Price;

"**Category R CBBCs**" means a series of CBBCs where the Call Price is different from the Strike Price;

"**Closing Price**" means the official closing price of the Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment as may be necessary to reflect any event as contemplated in Product Condition 5 such as capitalisation, rights issue, distribution or the like) on the Valuation Date. If a Market Disruption Event occurs on each of the four Trading Days immediately following the scheduled Valuation Date, then the Issuer shall determine the Closing Price in accordance with the definition of "Valuation Date";

"**Company**" means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

"**Expiry Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"Listing Date" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Mandatory Call Event**" occurs if the Spot Price of the Shares at any time during a Trading Day in the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Price; or

(b) in the case of a series of bear CBBCs, at or above the Call Price;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

“**Maximum Trade Price**” means, in respect of Category R CBBCs, the highest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 5 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting for the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Stock Exchange following the 2nd Session during which Spot Prices are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the day on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available. In that case:

(a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Trading Day on the Stock Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

“**Minimum Trade Price**” means, in respect of Category R CBBCs, the lowest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 5 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**Number of CBBC(s) per Entitlement**” means the amount specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Commencement Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

"**Post MCE Trades**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled callable bull/bear contracts over single equities;

"**Residual Value**" means, in respect of every Board Lot:

(a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Strike Price - Maximum Trade Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Shares**" means the shares of the Company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Strike Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Trading Day**" means a day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

2. Hedging Disruption

2.1 ***Notification***: The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer's obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the Shares;

(b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(d) the general unavailability of:

(i) market participants who will agree to enter into a Relevant Hedging Transaction; or

(ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 ***Consequences***: The Issuer, in the event of a Hedging Disruption Event, may determine to:

(a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

(b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

3. CBBC Rights and Exercise Expenses

3.1 ***CBBC Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 ***Exercise Expenses***

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

4. EXERCISE OF CBBCs

4.1 ***Exercise of CBBCs in Board Lots***

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 ***Automatic exercise***

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 ***Mandatory Call Event***

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

(ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Launch Announcement and Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 ***Exercise Expenses***

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 ***Cancellation***

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of an exercise in accordance with these Product Conditions; or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 ***Responsibility of Issuer and Registrar***

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

4.9 ***Liability of Issuer and Registrar***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 ***Trading in the CBBCs***

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

5. Adjustments

5.1 ***Rights Issues***

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

5.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted on the Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issues Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

5.3 ***Subdivisions or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

5.4 ***Merger or Consolidation***

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

5.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) ("**Ordinary Dividend**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto shall be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

6. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

7. Delisting

7.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

PART C — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUSTS (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) following a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value; or

(ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs, an amount equal to:

$$\frac{\text{Entitlement x (Closing Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(ii) in respect of a series of bear CBBCs, an amount equal to:

$$\frac{\text{Entitlement x (Strike Price - Closing Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Price is equal to the Strike Price;

"**Category R CBBCs**" means a series of CBBCs where the Call Price is different from the Strike Price;

"**Closing Price**" means the official closing price of the Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment as may be necessary to reflect any event as contemplated in Product Condition 5 such as capitalisation, rights issue, distribution or the like) on the Valuation Date. If a Market Disruption Event occurs on each of the four Trading Days immediately following the scheduled Valuation Date, then the Issuer shall determine the Closing Price in accordance with the definition of "Valuation Date";

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

"**Expiry Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"Listing Date" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Mandatory Call Event**" occurs if the Spot Price of the Units at any time during a Trading Day in the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Price; or

(b) in the case of a series of bear CBBCs, at or above the Call Price;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

"**Maximum Trade Price**" means, in respect of Category R CBBCs, the highest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 5 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

"**MCE Valuation Period**" means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Stock Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting for the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Stock Exchange following the 2nd Session during which Spot Prices are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the day on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available. In that case:

(a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Trading Day on the Stock Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

"**Minimum Trade Price**" means, in respect of Category R CBBCs, the lowest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 5 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

"**Number of CBBC(s) per Entitlement**" means the amount specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Commencement Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

"**Post MCE Trades**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled callable bull/bear contracts over single unit trusts;

"**Residual Value**" means, in respect of every Board Lot:

(a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Strike Price - Maximum Trade Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Strike Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Trading Day**" means a day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

"**Trust**" means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

2. Hedging Disruption

2.1 ***Notification***: The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer's obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the Units;

(b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(d) the general unavailability of:

(i) market participants who will agree to enter into a Relevant Hedging Transaction; or

(ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 ***Consequences***: The Issuer, in the event of a Hedging Disruption Event, may determine to:

(a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

(b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

3. CBBC Rights and Exercise Expenses

3.1 *CBBC Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 *Exercise Expenses*

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

4. EXERCISE OF CBBCs

4.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 *Automatic exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 *Mandatory Call Event*

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

(ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Launch Announcement and Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 ***Exercise Expenses***

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 ***Cancellation***

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of an exercise in accordance with these Product Conditions; or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 ***Responsibility of Issuer and Registrar***

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

4.9 ***Liability of Issuer and Registrar***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 ***Trading in the CBBCs***

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

5. Adjustments

5.1 ***Rights Issues***

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: The existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

5.2 ***Bonus Issues***

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted on the Business Day on which trading in the Units becomes ex-entitlement ("**Bonus Issues Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: The existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

5.3 ***Subdivisions or Consolidations***

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto shall be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto shall be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

5.4 ***Merger or Consolidation***

If it is announced that the Trust is to or may merge or consolidate with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

5.5 ***Cash Distributions***

No adjustment shall be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) ("**Ordinary Distribution**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment shall be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit's closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Call Price and the Strike Price shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto shall be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

6. Termination or Liquidation

6.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6.2 For the purpose of this Product Condition 6, "**Termination**" means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

7. Delisting

7.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

APPENDIX 4 — OUR GENERAL INFORMATION EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2016

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the following sections from the Credit Suisse annual report 2016 in this appendix 4. References to the following page numbers in this appendix 4 are to the pages in the Credit Suisse annual report 2016 and not to the pages in this document.

1 Risk management (pages 135 - 172);

2 Board of Directors (pages 186 - 203);

3 Executive Board (pages 203 - 210);

4 Additional information (pages 213 - 214); and

5 Compensation (pages 215 - 248).

For further information on our general information, we refer you to the complete Credit Suisse annual report 2016 on our website at www.credit-suisse.com.

Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and continued to be a key focus area in 2016. During the year, we focused on aligning the Group risk profile with our strategy. We took measures to significantly reduce exposures in Global Markets and the Strategic Resolution Unit, while increasing our lending activities in our wealth management-related businesses. At the same time, strengthening our operational control framework remained a primary focus.

KEY RISK DEVELOPMENTS

2016 was a year marked by rising geopolitical uncertainty, particularly in connection with the outcome of the UK referendum on continued EU membership and the US presidential election. The rise in geopolitical risks in developed markets brought increased volatility and select stress episodes to global markets but overall did not result in significant weakness. Certain member states of the eurozone faced significant domestic economic and political challenges.

The eurozone political climate

On June 23, 2016, voters in the UK voted in favor of leaving the European Union in a non-binding referendum. This caused significant volatility in financial markets, including a substantial decline in global stock prices and a steep devaluation of the British pound, as well as a political crisis in the UK. Among the significant global implications of the referendum was the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies. We monitored developments closely and conducted various scenario analyses designed to evaluate potential outcomes, such as possible impacts of the referendum on UK gross domestic product, the British pound and negative interest rates to assess the potential effects on our earnings and capital position. We implemented a number of precautionary measures to help ensure operational and infrastructure stability leading up to and following the referendum. During this time, we successfully managed the overall impact of the referendum on Credit Suisse from an exposure, earnings and liquidity perspective. We experienced substantial trading volumes in the days following the result of the referendum and we suffered no significant operational issues due to our active management of these volume increases.

Increased political uncertainty in Italy following an important referendum on government structure, as well as banking sector solvency concerns in the country, brought some stress to eurozone markets. The events in Italy have so far not led to a significant disruption in financial markets and the economy, however concerns over future reforms in Italy and its continued membership in the eurozone remain. We run a series of market evaluations and stress tests in advance of key political votes in order to mitigate our market exposures to potential political regime shifts, for example, relating to the upcoming elections in Germany and France in 2017.

US election and economic policy

The US elected a new president on November 8, 2016. In advance of the election there was increased market uncertainty relating to the policies that the new administration might implement. In the lead-up to the election, we frequently ran a suite of stress scenarios to simulate the potential immediate market reaction, monitoring the outputs with the aim of keeping exposures within our risk appetite. After the election, key assumptions for future US economic policy include potential tax cuts, decreased regulation and greater infrastructure spending coupled with a risk of disruptive foreign trade policies. We continue to assess the range of potential economic and market outcomes which might result from the economic policies of the new US administration through a suite of stress tests and continue to closely monitor the potential impacts on market exposures.

Cyberattacks

The financial industry continues to face continuously evolving cyber threats from a variety of actors who are driven by monetary, political and other motivations. We continue to invest significantly in our information and cybersecurity program and strengthen our governance, policy and controls framework to escalate issues and mitigate key IT risks. We regularly assess the effectiveness of our key controls and conduct employee training and awareness activities, including for key management personnel, in order to embed a strong risk mitigation culture.

Brazil

Brazil has been facing a severe recession which has been exacerbated by a political crisis as a consequence of corruption investigations and impeachment proceedings against Brazil's former president. Given the political uncertainties, it was difficult for the Brazilian government to enact measures to address economic and fiscal policy. While Brazil is an important market for Credit Suisse, we reduced our risk appetite in this region during 2016 and continued to carefully monitor our exposure, particularly for our corporate loan portfolio.

Oil and gas sector and commodities

Following a significant fall in oil and gas prices and considerable volatility, lower prices seen in January 2016 stabilized and subsequently rose during the rest of the year. Exposures to the oil and gas sector are closely monitored, especially those related to exploration and production activities which are most directly impacted by commodity prices. More stable GDP growth in China in 2016 has lifted metals and other commodity prices, however, given the broader commodity price trends which are likely to persist in 2017 we will also continue to closely monitor our exposures to the broader commodity markets.

Ship finance

Prices in all main shipping segments (bulker, tanker and container) remained under pressure during 2016 due to the combination of a slow-down in global trade and overcapacity in the world fleet, which had built up in the past during periods of high demand. This imbalance between supply and demand resulted in lower revenues for the shipping industry and declining market values for vessels. These market developments increased the risks for our ship finance portfolio. The majority of the positions continue to perform, and we strengthened our credit risk monitoring process in response to the current market situation.

RISK MANAGEMENT OVERSIGHT

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

To meet the challenges of a volatile market environment and changing regulatory frameworks, we work to continuously strengthen risk management throughout the Group. We have comprehensive risk management processes and sophisticated control systems. We work to limit the impact of negative developments that may arise by carefully managing risk concentrations.

Risk governance

Effective risk management begins with effective risk governance. Our risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role and defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of the Group, and has primary responsibility for ensuring compliance with relevant legal and regulatory requirements and internal controls.

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

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

Key management bodies and committees covering risk management matters

[1] Divisional risks may be covered by the respective legal entity risk management committees.

Our operations are regulated by authorities in each of the jurisdictions in which we conduct business. Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. FINMA is our primary regulator.

▸ Refer to "Regulation and supervision" in I – Information on the company for further information.

Our governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees, the Group Chief Risk Officer (CRO) and the board of directors of significant subsidiaries, in accordance with their respective responsibilities and levels of authority.

▸ Refer to "Board of Directors" and "Board Committees" in IV – Corporate Governance and Compensation – Corporate Governance for further information.

Board of Directors

The Board is responsible for our strategic direction, supervision and control, and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits. Overall risk limits are set by the Board in consultation with its Risk Committee.

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

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

Executive Board

The Executive Board is responsible for developing and implementing our strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and establishes Group-wide risk policies. The Group CRO is a member of the Executive Board and represents the risk management function.

Executive Board committees

The Capital Allocation & Risk Management Committee (CARMC) is responsible for supervising and directing our risk profile, recommending risk limits at the Group level to the Risk Committee and the Board, establishing and allocating risk limits among the various businesses, and for developing measures, methodologies and tools to monitor and manage the risk portfolio. CARMC meets monthly and conducts reviews according to the following three rotating cycles. The asset & liability management cycle reviews the funding and balance sheet trends and activities, plans and monitors regulatory and business liquidity requirements and internal and regulatory capital adequacy. The market & credit risks cycle reviews risk exposures and concentrations, defines and implements risk management strategies for the Group businesses and sets and approves risk limits within approved Board limits and other appropriate measures to monitor and manage the risk portfolio within the various Group businesses. In the market & credit risk cycle, the credit portfolio & provisions review committee, a sub-committee of CARMC, reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The internal control systems cycle monitors and analyzes significant legal and compliance risks, reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets limits, caps and triggers on specific businesses to control significant operational risk exposure, and reviews and assesses the appropriateness and efficiency of the internal control systems, particularly with regards to valuation risks and the new business approval process.

The Valuation Risk Management Committee (VARMC) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process.

The Risk Processes & Standards Committee (RPSC) reviews major risk management processes, issues general instructions, standards and processes concerning risk management, approves material changes in market, credit and operational risk management standards, policies and related methodologies, and approves the standards of our internal models used for calculating regulatory capital requirements.

The Reputational Risk & Sustainability Committee (RRSC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures compliance with our reputational and sustainability policies and oversees their implementation.

Divisional and legal entity risk management committees

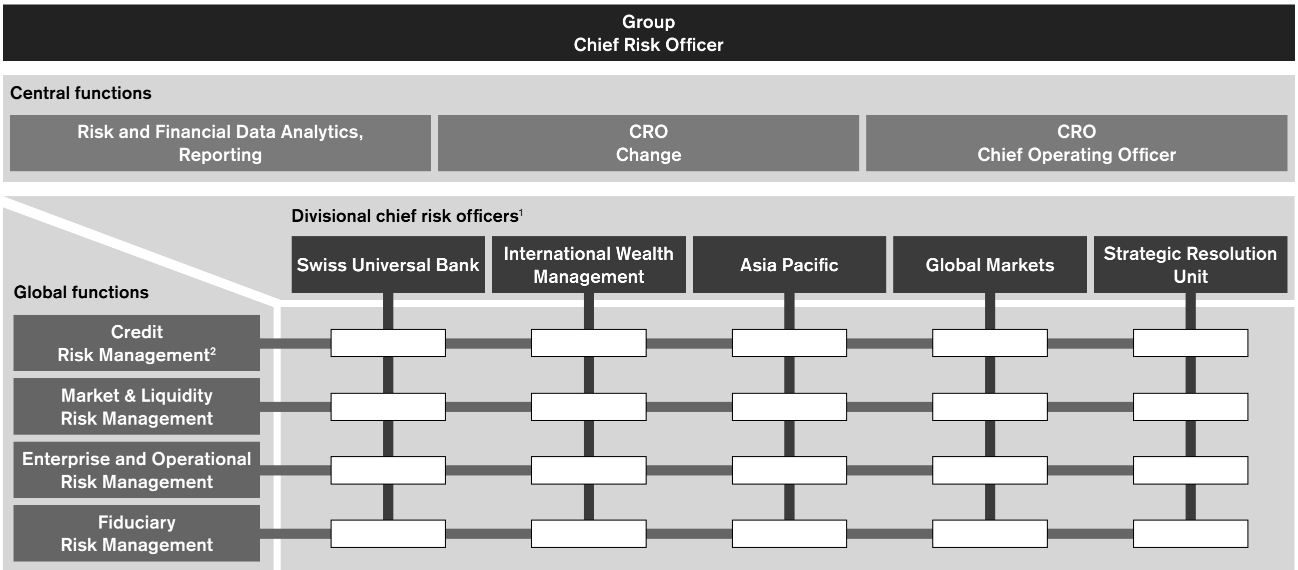
Divisional and legal entity risk management committees review risk, legal, compliance and internal control matters specific to the divisions and individual legal entities, respectively.

Risk organization

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage risk matters.

Our risk organization has been further reshaped to support the Group's strategy and divisional structure, for example by placing more emphasis on the divisional chief risk officers, who also act as legal entity chief risk officers for the most significant legal entities in their region.

Risk organization



1 The role of the legal entity chief risk officer for our most significant legal entities is covered by the role of a divisional chief risk officer.
2 The role of the divisional chief risk officer of Investment Banking & Capital Markets is covered by the head of the global function Credit Risk Management.

We have adjusted our governance framework by establishing risk management committees for each division. In addition, the divisional chief risk officer organizations developed more granular risk appetite frameworks and reporting capabilities to cover the specific needs of their business divisions. Furthermore, while maintaining the matrix structure from a people and business management perspective, the restructuring improved the Group's cost transparency along our legal entities and divisions. The global risk functions continue to drive our risk appetite, ensure globally harmonized models and methodologies, execute global regulatory deliverables, provide global limit frameworks and ensure risk conflict remediation.

The key elements of the risk organization include:

Matrix structure
Our matrix structure reflects the Group's business strategy and emphasizes the Group's legal entity considerations.

The global functions comprise market & liquidity, credit, enterprise, operational and fiduciary risk management, and are accountable for functional risk oversight and the risk limit framework at the global and local legal entity level. They are also responsible for functional models, methodologies and policies and function-related regulatory change. The enterprise risk management mandate is focused on the overarching risk framework including risk appetite and stress testing, Group risk reporting, model risk management, risk-related regulatory management and coordination of our reputational risk-related activities.

The divisional chief risk officer roles for Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit are intended to ensure alignment of the risk management function within our divisions. The divisional chief risk officer role for Investment Banking & Capital Markets is covered by the head of the global credit risk management function.

The legal entity chief risk officers provide risk oversight for certain significant legal entities in the locations of our main operations. They define the local risk management and risk appetite frameworks and are responsible for meeting the legal-entity-specific regulatory requirements. The legal entity chief risk officer roles for our most significant legal entities are generally undertaken by divisional chief risk officers.

The global functions and the divisional/legal entity chief risk officers jointly manage the functional teams.

Other central functions
Risk and Financial Data Analytics, Reporting provides consistent reporting production, analytics and data management shared with finance functions. CRO Change is responsible for the portfolio of strategic change programs across the risk management function. The CRO's chief operating officer facilitates business management within the risk management function.

Risk culture

We base our business operations on conscious and disciplined risk-taking. We believe that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. Our risk culture is supported by the following principles:

- Our risk management policies set out authorities and responsibilities for taking and managing risks;
- We establish a clear risk appetite that sets out the types and levels of risk we are prepared to take;
- We actively monitor risks and take mitigating actions where they fall outside accepted levels;
- Breaches of risk limits are identified, analyzed and escalated, and large, repeated or unauthorized exceptions may lead to terminations, adverse adjustments to compensation or other disciplinary action; and
- We seek to establish resilient risk controls that promote multiple perspectives on risk and reduce the reliance on single risk measures.

We actively promote a strong risk culture where employees are encouraged to take accountability for identifying and escalating risks and for challenging inappropriate actions. The businesses are held accountable for managing all of the risks they generate, including those relating to employee behavior and conduct, in line with our risk appetite. Expectations on risk culture are regularly communicated by senior management, reinforced through policies and training, and considered in the performance assessment and compensation processes and, with respect to employee conduct, assessed by formal disciplinary review committees.

We seek to promote responsible behavior and conduct through the Group's Code of Conduct, which provides a clear statement of the ethical values and professional standards expected of our employees and representatives as a basis for maintaining and strengthening our reputation for integrity, fair dealing and measured risk-taking. We have also established a set of business conduct behaviors across the Group that support our desired risk culture. They are designed to encourage employees to act in ways that reduce the frequency and impact of operational risk incidents, address the root causes of past operational risk incidents in the financial services sector and other relevant industries, and help to prevent and address potential adverse risk incidents in the future. Various initiatives in this area have provided employees with practical guidance on careful and considered behavior as well as the importance of acting ethically and learning from mistakes. Our employee performance assessment and compensation processes are linked to the Code of Conduct and the set of business conduct behaviors.

▸ Refer to "Legal, compliance, regulatory and conduct risk" in Risk coverage and management for further information.

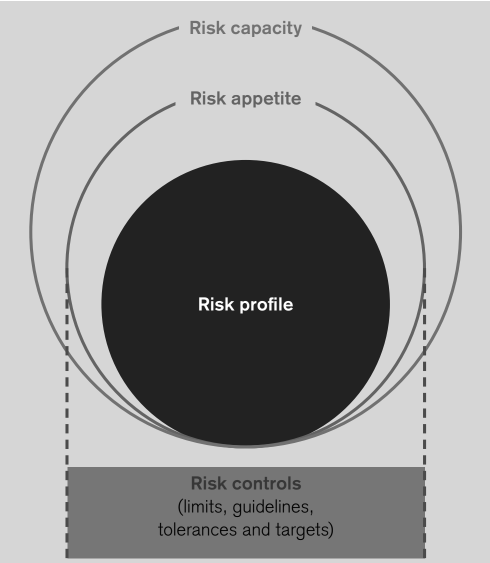
RISK APPETITE FRAMEWORK

Overview

We maintain a comprehensive Group-wide risk appetite framework, which is governed by a global policy and provides a robust foundation for risk appetite setting and management across the Group. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to our financial and capital plans. The framework also encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain our overall risk profile.

Risk capacity is the maximum level of risk that we can assume given our current level of resources before breaching any constraints determined by capital and liquidity needs, the operational environment and our responsibilities to depositors, shareholders, investors and other stakeholders. Risk appetite expresses the aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan. Risk profile is a point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category and is expressed in a variety of different quantitative risk metrics and qualitative risk observations. The size of our risk profile is restricted to the planned level of our risk appetite through the use of risk controls, such as limits, guidelines, tolerances and targets.

Risk appetite framework – key definitions



Risk capacity Maximum level of risk that we can assume given our current level of resources before breaching any constraints determined by capital and liquidity needs, the operational environment and our responsibilities to depositors, shareholders, investors and other stakeholders.

Risk appetite Aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan.

Risk profile Point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category and expressed in a variety of different quantitative risk metrics and qualitative risk observations.

Risk controls Quantitative and qualitative measures based on forward-looking assumptions that allocate our aggregate risk appetite to businesses, legal entities, risk categories, concentrations and, as appropriate, other levels.

Risk appetite framework

The Group risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk controls are calibrated and the risk profile is managed. The framework is guided by the following strategic risk objectives:

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

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

The risk appetite statement is the formal plan, approved by the Board, for our Group-wide risk appetite. Key divisional allocations are cascaded from the Group and approved in divisional risk management committees. Legal entity risk appetites are set by the local legal entity board of directors within the limits established by the Group.

The top-down and bottom-up risk appetite calibration process includes the following key steps:

Top-down:

- Group-level strategic risk objectives are agreed by the Board in line with our financial and capital objectives.
- Top-down risk capacities and risk appetites are determined with reference to available resources and key thresholds, such as minimum regulatory requirements.
- A risk appetite statement is determined and approved annually by the Board, and is based on the strategic risk objectives, the comprehensive scenario stress testing of our forecasted financial results and capital requirements, and our economic capital framework. A semi-annual review of the risk appetite and capacity levels is performed. The risk appetite statement comprises quantitative and qualitative risk measures necessary for adequate control of the risk appetite across the organization. The review of the top-down and bottom-up risk appetite levels and their allocation between divisions and legal entities is performed by the Risk Appetite Review Committee.
- Separate legal entity risk appetite frameworks aligned to local regulatory requirements are in place for material subsidiaries. An integrated year-end planning process ensures that

individual legal entity risk appetites are consistent with Group levels.
- Divisional risk committees are responsible for allocating risk appetite within the respective divisions based on individual business line reviews and requirements.

Bottom-up:
- Planned risk levels and related risk appetite requirements are provided by front office business experts in conjunction with financial and capital plans in order to ensure consistency with the business strategy. Risk plans are reviewed by the relevant risk management committees.
- Bottom-up risk forecasts are aggregated across businesses to assess divisional and Group-wide risk plans and to support management decisions on variations to existing risk appetite levels or the possible need for new risk appetite measures.
- The effectiveness of risk appetite in support of business strategy execution and delivery against financial objectives is assessed via a risk appetite effectiveness framework. This framework assists senior management and the Board in ensuring that appropriate levels of risk appetite are set and that the subsequent risk controls are appropriately calibrated.
- Risk, financial and capital plans are jointly reviewed and approved by the Executive Board and the Board.

The following chart provides an overview of key Group-wide quantitative and qualitative aspects covered in our risk appetite statement for the Group and their connection to the division-specific risk appetite statements.

Risk appetite framework – key aspects

	Group-wide		Division-specific
Selected quantitative aspects	■ Economic risk capital limits ■ Liquidity ratios ■ Leverage ratios	■ Scenario loss limits ■ Risk-weighted assets ■ Look-through CET1 ratio (post stress testing)	■ Economic risk capital limits ■ Market risk limits ■ Credit risk limits ■ Operational risk tolerance levels
Selected qualitative aspects	■ Compliance with international and local laws and regulations ■ Minimizing reputational risk ■ Managing and controlling conduct risk ■ Compliance with industry guidelines and internal policies ■ Managing credit risk		■ Avoidance of concentration risks ■ Adherence to suitability and appropriateness requirements ■ Operational risk tolerance statements

Risk controls
A core aspect of our risk appetite framework is a sound system of integrated risk controls to maintain our risk profile within our overall risk appetite. Our risk appetite framework utilizes a suite of different types of risk controls to reflect the aggregate risk appetite of the Group and to further cascade risk appetite across our organization, including among business divisions and legal entities. The risk controls restrict our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses. Different levels of seniority are mapped to, and specific enforcement and breach response protocols are required for, each type of risk control. We define the following risk control categories:
- *Qualitative controls* represent controls that are used to manage identified but unquantifiable or subjective risks, with compliance assessed by the appropriate level of control authority.
- *Quantitative controls* represent controls that are used to manage identified quantifiable risks and exist in the form of limits, guidelines, tolerances, targets and flags.

Control authority for the risk controls is determined by the relevant approving body and controls are currently in effect for all key risk governance bodies and committees including the Board, its Risk Committee, the Executive Board and CARMC. The appropriateness of the control types for the various risk classes within our risk appetite, including market, credit, operational and liquidity risk, is determined considering the respective characteristics of the various risk control types. We define the following types of risk controls:
- *Qualitative control statements* are required for all qualitative controls. Qualitative control statements need to be specific and to clearly define the respective risk to ensure that the risk profile for unquantifiable or subjective risks is readily assessable.
- *Limits, guidelines and tolerances* are specific threshold levels for a given risk metric. Limits are binding thresholds that require discussion to avoid a breach and trigger immediate remediating action if a breach occurs. Guidelines are thresholds which, if breached, require an action plan to reduce risk below the guideline or to propose, justify and agree to adjust the guideline. Tolerances are designed as management thresholds to initiate discussion, and breach of a tolerance level triggers review by the relevant control authority.
- *Targets* represent the level of risk that the Group intends to accept in pursuit of business objectives at a specific point in time in the future.

- *Flags* are early warning indicators, which serve primarily as a business risk management and supervisory control tool for our front offices and Treasury, and they may be complementary to other types of control.

With respect to limits, guidelines and tolerances, established criteria are applied in the selection of the appropriate risk control, including the assessment of (i) the materiality of the respective risk metric with regard to its contribution to the overall Group risk appetite; (ii) the importance of the risk control to the organization from a qualitative perspective; (iii) the characteristic of the respective risk, e.g., risk concentrations or high priority risk for the Group; and (iv) the availability of mitigating actions to manage the risk profile of the Group in relation to the respective risk.

We have established a control structure which manages the Group's risk profile using multiple metrics, including economic risk capital, value-at-risk (VaR), scenario analysis and various exposure limits at the Group level. The overall risk limits for the Group are set by the Board in consultation with its Risk Committee and are binding. In the rare circumstance where a breach of these limits would occur, it would result in an immediate notification to the chairman of the Board's Risk Committee and the Group CEO, and written notification to the full Board at its next meeting. Following notification, the Group CRO may approve positions that exceed the Board limits up to a predefined level and any such approval is reported to the full Board. Positions that exceed the Board limits by more than the predefined level may only be approved by the Group CRO and the full Board acting jointly. In 2016 and 2015, no Board limits were exceeded.

Dedicated controls are also in place to cover the specific risk profiles of individual businesses and legal entities. In the context of the overall risk appetite of the Group, as defined by the limits set by the Board and its Risk Committee, CARMC is responsible for allocating divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. The divisional risk management committees and the divisional and legal entity chief risk officers are responsible for allocating risk appetite further within the organization. For this purpose, they use a detailed framework of individual risk limits designed to control risk-taking at a granular level by individual businesses and in the aggregate. The risk controls are intended to:

- limit overall risk-taking to the Group's risk appetite;
- trigger senior management discussions with the businesses involved, risk management and governance committees in case of substantial change in the overall risk profile;
- ensure consistent risk measurement across businesses;
- provide a common framework for the allocation of resources to businesses; and
- provide a basis for protecting the Group's capital base and meeting strategic risk objectives.

While the primary purpose is risk management, risk limits are also useful tools in the identification of trading misconduct and unauthorized trading activities. The limit owners are responsible for reviewing warning triggers for risk limits. They may set warning triggers for potential limit excesses at any level lower than the approved limits as deemed appropriate after taking into account the nature of the underlying business. Strict escalation procedures apply to any limit breaches and, depending on the severity of the excess, the Group CRO or divisional chief executive officer's approval may be required. Serious excesses are highlighted in periodic Risk Committee meeting management summaries. An assessment by the disciplinary review committee and any disciplinary actions that may be taken are considered in the regular performance assessment and compensation processes.

RISK COVERAGE AND MANAGEMENT

Overview

We use a wide range of risk management practices to address the variety of risks that arise from our business activities. Policies, limits, guidelines, processes, standards, risk assessment and measurement methodologies, and risk monitoring and reporting are key components of our risk management practices. Our risk management practices complement each other in our analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of our exposures. We regularly review and update our risk management practices to ensure consistency with our business activities and relevance to our business and financial strategies. Risk management practices have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

The key risk types, their definitions and key risk evaluation methods are summarized in the following table.

Key risk types overview

Key risk types and definition	Key risk evaluation methods
Liquidity and funding risks: The risk that we do not have the appropriate amount of funding and liquidity to meet our obligations.	Liquidity coverage ratio, net stable funding ratio, liquidity barometer, stress testing
Market risk: The risk of financial loss from adverse changes in market prices, including interest rates, credit spreads, foreign exchange, equity and commodity prices, and other factors such as market volatility and the correlation of market prices across asset classes.	Value-at-risk, sensitivities, economic risk capital, stress testing
Credit risk: The risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty.	Gross and net loan exposures, commitments, probability of default, loss given default, exposure at default, potential future exposure, country exposures, economic risk capital, stress testing
Operational risk: The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events. **Technology risk:** The risk that technology-related failures, such as services outages or information security incidents, may disrupt business. **Legal, compliance, regulatory and conduct risks:** Legal risk is the risk of loss or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, the making of legal challenge or claim against us and our inability to enforce legal rights. Compliance and regulatory risk is the risk from the failure to comply with laws, regulations, rules or market standards, and also includes the risk of negative effects on our activities and strategic initiatives. Conduct risk is the risk that improper behavior or judgment results in negative financial, non-financial and/or reputational harm to our clients, our employees, the Group, or damage to the integrity of the financial markets.	Risk and control self-assessments, risk and control indicators, internal and external incident data, economic risk capital, stress testing
Reputational risk: The risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources. **Fiduciary risk:** The risk of financial loss arising when the Group or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a product-related market, credit, liquidity and operational risk perspective. **Strategic risk:** 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 comprehensive assessment for these risk types is performed both periodically and event-driven. ■ The results of the analysis impact management actions such as strategy adjustments, tactical measures, policy adjustments, event-driven crisis guidelines, staff training and individual performance measurement. ■ The risk management actions include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments.

It is important to both evaluate each risk type separately and assess their combined impact on the Group, which helps ensure that our overall risk profile remains within the Group-wide risk appetite.

The primary evaluation methods used to assess Group-wide quantifiable risks include economic risk capital and stress testing. Economic risk capital captures market, credit, operational and certain other risks and is a key component in our risk appetite framework with limits determined to control aggregate risk. Stress testing captures market, credit and operational risks and provides an evaluation method capable of capturing both historic and forward-looking scenarios to ensure that aggregate risks are managed within the Group-wide risk appetite also under stressed conditions.

The description of our economic risk capital methodology and our stress testing framework below is followed by a more detailed description of our key risk types.

▸ Refer to "Liquidity and funding management" for further information on liquidity and funding risks-related evaluation methods used in our liquidity risk management framework and for funding management.

Economic risk capital

Overview

Economic risk capital is used as a consistent and comprehensive tool for capital management, limit monitoring and performance management. Economic risk capital is our core Group-wide risk management tool for measuring and reporting the combined impact from quantifiable risks such as market, credit, operational, pension, expense and model risks, each of which has an impact on our capital position.

Under the Basel framework, we are required to maintain a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with our overall risk profile and the current operating environment. Our economic risk capital model represents our internal view of the amount of capital required to support our business activities.

▸ Refer to "Capital strategy and framework" and "Regulatory capital framework" in Capital management for further information on our capital management framework.

During 2016, we revised the approach to how we treat retrospective changes to economic risk capital reported numbers and their associated trends due to economic risk capital model modifications. Under the new approach, the impact from economic risk capital modifications will be assessed against materiality thresholds to decide whether restatement to prior reported figures is required. Prior-period economic risk capital will be restated if economic risk capital model modifications had a material impact on the Group, divisional or risk-type-specific economic risk capital.

As part of our economic risk capital strategic development program to further embed economic risk capital into our risk appetite framework, we continued to develop a suite of metrics and models that better assess, monitor and manage capital adequacy and solvency risk in severe stress events such as business recovery or resolution.

▸ Refer to "Methodology and model developments" in Risk review and results – Economic risk capital review for further information.

Methodology and scope

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks. Within each of these risk categories, risks are further divided into subcategories, for which economic risk capital is calculated using the appropriate specific methodology. Some of these methodologies are common to a number of risk subcategories, while others are tailored to the particular features of single, specific risk types included in position risk, operational risk and other risks. Economic risk capital is calculated as the sum of position risk, operational risk and other risks.

Position risk and diversification benefit

Position risk is the level of unexpected loss from our portfolio of balance sheet and off-balance sheet positions over a one-year holding period and includes market and credit risks. Position risk is calculated at a 99% confidence level for risk management purposes and converted to a 99.97% confidence level for capital management purposes. Our position risks categories are described in the table "Position risk categories".

To determine our overall position risk, we consider the diversification benefit across risk types. Diversification benefit represents the reduction in risk that occurs when combining different, not perfectly correlated risk types in the same portfolio and is measured as the difference between the sum of position risk for the individual risk types and the position risk calculated for the combined portfolio. Hence, position risk for the combined portfolio is non-additive across risk types and is lower than the sum of position risk of its individual risk types due to risk reduction (or benefit) caused by portfolio diversification. When analyzing position risk for risk management purposes, we look at individual risk types before and after the diversification benefit.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

Operational risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people and systems or from external events. We use an internal model to calculate the economic capital requirement for operational risk at a 99.97% confidence level and a one-year holding period. A loss distribution approach based on historical data on internal and relevant external losses of peers is used to generate a loss distribution for a range of potential operational risk loss scenarios, such as unauthorized trading incidents, business interruption, fraud or other material business disruptions. The parameters estimated through the quantitative model are reviewed by business experts and senior management in order to take account of the business environment and internal control factors and to reflect a forward-looking view in the estimate. The capital calculation also includes a component to reflect litigation events and insurance mitigation. The overall approach is based on the same principles and methodology of the AMA model used for regulatory capital requirements.

Position risk categories

Position risk categories	Risks captured
Fixed income trading	■ Foreign exchange rates and volatilities ■ Interest rate levels and volatilities ■ Commodity prices and volatilities ■ Credit spreads and the risk of corporate bond defaults ■ Life finance and litigation business activities
Equity trading & investments	■ Equity prices and volatilities ■ Non-recourse share-backed financing transactions ■ Liquid hedge funds exposures and fund-linked products ■ Equity risk arbitrage activities, in particular the risk that an announced merger may not be completed ■ Private equity, illiquid hedge funds and other illiquid equity investment exposures
Private banking corporate & retail lending	■ Potential changes in the creditworthiness of counterparty exposures and the risk of counterparty defaults
International lending & counterparty exposures	■ Potential changes in the creditworthiness of counterparty exposures and the risk of counterparty defaults
Emerging markets country event risk	■ Loss due to significant country events ■ Simultaneous impact across the Group's exposures in a given country ■ Risk of related disturbance in neighboring countries or countries in the same region
Real estate & structured assets	■ Commercial real estate activities and structured assets ■ Residential real estate activities and positions in asset-backed securities

Other risks

The other risks category includes the following:

- Our expense risk measures the potential difference between expenses and revenues in a severe market event, excluding the elements captured by position risk and operational risk, using conservative assumptions regarding the earnings capacity and the ability to reduce the cost base in a crisis situation.
- Pension risk is the risk that we, as a plan sponsor, are required to fund a deficit in employee pension schemes in an extreme event. It covers fluctuations in our pension plan assets and liabilities which can lead to potential funding shortfalls. Funding shortfalls can arise from a decline in asset values and/or an increase in the present value of liabilities. The shortfall would need to be funded using available resources. In order to recognize the potential for a funding shortfall, we apply an economic risk capital charge.
- Owned real estate risk is defined as the capital at risk which arises from fluctuations in the value of buildings owned by the Group.
- Foreign exchange risk is the risk arising from a currency mismatch between available economic capital and economic risk capital required.
- Corporate interest rate risk is the interest rate risk on our treasury positions.
- The impact from deferred share-based compensation awards captures the economic benefit that may result from covering our structural short obligations to deliver own shares through market purchases during times of falling market prices.
- Model uncertainty add-on addresses other potential low-probability events with potential high impact for which limited market data exists. It also reflects an estimate of the impacts of certain planned methodology changes.

Available economic capital

Available economic capital is an internal view of the capital available to absorb losses based on the reported BIS look-through CET1 capital under ▷ Basel III, with economic adjustments applied to provide consistency with our economic risk capital. It enables a comparison between capital needs (economic risk capital) and capital resources (available economic capital).

Economic risk capital coverage ratio

Economic risk capital coverage ratio is defined as the ratio of capital available to absorb losses in a gone concern scenario (available economic capital) to capital needs (economic risk capital). The economic risk capital coverage ratio is primarily meant to provide an assessment of our solvency and reflects our best internal assessment of risk and loss absorbing capacity in an extreme scenario. Furthermore, the economic risk capital coverage ratio is embedded in our risk appetite framework through our capital adequacy objective.

The economic risk capital coverage ratio operates with a number of distinct bands that serve as key control for monitoring and managing our operational solvency. An economic risk capital coverage ratio lower than 125% requires senior management review, followed by an action plan at a coverage ratio lower than 110%. Immediate actions such as risk reductions or capital measures would be triggered at a coverage ratio lower than 100%. The Board has set the minimum level for this coverage ratio at 80%.

Governance

Our economic risk capital framework is governed and maintained by a dedicated steering committee, which regularly reviews, assesses and updates the economic risk capital methodology in light of market and regulatory developments, risk management practice and organizational changes. In addition, the steering committee approves new methodologies and prioritizes the implementation for its three components (position risk, operational risk and other risks).

Stress testing framework

Overview

Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to our portfolio if, for example, historic or adverse forward-looking events were to occur. A well-developed stress testing framework provides a powerful tool for senior management to identify these risks and also take corrective actions to protect the earnings and capital from undesired impacts.

Stress testing is a fundamental element of our Group-wide risk appetite framework included in overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, and are used in risk appetite discussions and strategic business planning and to support our internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Group-wide stressed position loss limits to correspond to minimum post-stress capital ratios. Currently, limits are set on the basis of BIS CET1 capital ratios on a phase-in and look-through basis. Stress tests also form an integral part of the Group's recovery and resolution plan (RRP). Within the RRP, stress tests provide the indicative scenario severity required to reach recovery and resolution capital levels.

Stress testing provides key inputs for managing the following objectives of the risk appetite framework:

- Ensuring Group-wide capital adequacy on both a regulatory basis and under stressed conditions: We run a suite of scenarios on forecasted financial metrics such as revenues, expenses, pre-tax income and risk-weighted assets. The post-stress capital ratios are assessed against the risk appetite of the Group.
- Maintaining stable earnings: We mainly use stress testing to quantitatively assess earnings stability risk. Earnings-loss-triggers are established and monitored to contain excessive risk-taking which could compromise our earnings stability.

We also conduct externally defined stress tests that meet the specific requirements of regulators. For example, as part of various regular stress tests and analysis, FINMA requires a semi-annual loss potential analysis that includes an extreme scenario that sees European countries experience a severe recession resulting from the worsening of the European debt crisis as well as a new scenario focusing on a financial crisis in China and US.

Methodology and scope of Group-wide stress testing

Stress tests are carried out to determine stressed position losses, earnings volatility and stressed capital ratios using historical, forward-looking and reverse stress testing scenarios. The scope of stress testing includes market, credit default, operational, business and pension risk. Stress tests also include the scenario impact on risk-weighted assets through changes to market, credit and operational components.

We use historical stress testing scenarios to consider the impact of market shocks from relevant periods of extreme market disturbance. Standardized severity levels allow comparability of severity across differing risk types. The calibration of bad day, bad week, severe event and extreme event scenarios involves the identification of the worst moves that have occurred in recent history. Severe flight to quality is one of our scenarios used for Group-wide stress testing and risk appetite setting. It is a combination of market shocks and defaults that reflects conditions similar to what followed the Lehman collapse during the fourth quarter of 2008. The severe flight to quality scenario assumes a severe crash across financial markets, along with stressed default rates.

We use forward-looking stress testing scenarios to complement historical scenarios. The forward-looking scenarios are centered on potential macroeconomic, geopolitical or policy threats. The Scenario Management Oversight Committee, comprised of internal economists, front office and representatives of the risk management and finance function, discusses the backdrop to several forward-looking scenarios. The Scenario Management Oversight Committee reviews a wide range of scenarios and selects those that are most relevant to the analysis of key macroeconomic shocks. Some examples of forward-looking scenarios include US and European country recessions, a so-called emerging markets economic "hard landing" and the impact of monetary policy changes by central banks. Various scenarios are also used to mitigate concentration risks across the entire firm, such as the credit concentration scenario. During 2016, the Group focused on the following forward-looking scenarios:

- Financial sector problems in the eurozone: the markets challenge the solvency of a systemically-important bank, which puts the overall European financial sector and selected eurozone countries under acute pressure. The European economy is forced into recession. Contagion from a European recession to the US and emerging market economies is assumed to be substantial.
- An emerging markets "hard landing" scenario: there is a severe economic slowdown in China driven by a wave of defaults in the private non-financial and financial sectors. The problems in China negatively impact all large emerging markets through lower commodity prices, increased capital flight and reduced intra-regional foreign trade. There is also significant contagion to the economy in the US and in Europe.
- Reframed stress scenarios for the UK and for the US: the reframed scenarios take into account the large increase in economic policy outlook uncertainties and the higher risk that inflation significantly accelerates, bringing about a disorderly rise in government bond yields. The UK stress scenario focuses on the risks which may materialize from the negotiations on leaving the EU. The US stress scenario focuses on the business risks which may materialize from more expansionary fiscal policies and from any shift toward more protectionist foreign trade practices.

The scenarios are reviewed and updated regularly as markets and business strategies evolve. In addition to these periodic scenario analyses, we also perform ad hoc scenario analyses in connection with current events as a proactive risk management tool. For example, we ran a "Surprise Brexit vote" scenario in the period leading up to the UK referendum on continued EU membership.

We use reverse stress testing scenarios to complement traditional stress testing and enhance our understanding of business model vulnerabilities. Reverse stress testing scenarios define a range of severe adverse outcomes and identify what could lead to these outcomes. The more severe scenarios include large counterparty failures, sudden shifts in market conditions, operational risk events, credit rating downgrades and the shutdown of wholesale funding markets.

Governance

Our stress testing framework is comprehensive and governed by a dedicated steering committee, the Scenario Steering Committee. The Scenario Steering Committee reviews the scenario methodology and approves changes to scenario frameworks. It is comprised of experts in stress methodologies representing various risk functions (market risk, liquidity risk, credit risk and operational risk) and also represents the Group divisions and major legal entities.

The Scenario Management Oversight Committee has received responsibility from CARMC for the Group-wide scenario calibration and analysis process, including the design of scenarios and the assessment and approval of scenario results. Stress tests are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and regulators.

Market risk

Definition

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

Sources of market risk

Market risks arise from both our trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing our market risk exposure. This classification reflects the business and risk management perspective with respect to trading intent, and may be different from the classification of these assets for financial reporting purposes.

Trading book

Market risks from our trading book relate to our trading activities primarily in Global Markets, Asia Pacific and the Strategic Resolution Unit. Our trading book, as measured for risk management purposes, typically includes fair-valued positions only, primarily of the following balance sheet items: trading assets and trading liabilities, investment securities, other investments, other assets (mainly derivatives used for hedging, loans and real estate held-for-sale), short-term borrowings, long-term debt and other liabilities (mainly derivatives used for hedging).

We are active globally in the principal trading markets, using a wide array of trading and hedging products, including derivatives such as swaps, futures, options and structured products. Structured products are customized transactions often using combinations of derivatives and are executed to meet specific client or proprietary needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

The market risks associated with the entire portfolio, including the embedded derivative elements of our structured products, are actively monitored and managed on a portfolio basis as part of our overall trading book and are reflected in our VaR measures.

Banking book

Market risks from our banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. Our businesses and the treasury function have non-trading portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates, equity prices and, to a lesser extent, commodity prices. Our banking book, as measured for risk management purposes, includes a majority of the following balance sheet items: loans, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, cash and due from banks, brokerage receivables, due to banks, customer deposits, central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, brokerage payables, selected positions of short-term borrowings and long-term debt, hedging instruments and other assets and liabilities not included in the trading portfolio.

We assume interest rate risks in our banking book through lending and deposit taking, money market and funding activities, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisional level. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-managed on a pooled basis using replication portfolios on behalf of our private banking, corporate and institutional businesses. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis. The treasury function is responsible for the modeling and monitoring of the replication portfolios.

Evaluation and management of market risk

We use market risk measurement and management methods capable of calculating comparable exposures across our many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. Our principal market risk measurement is VaR. In addition, our market risk exposures are reflected in scenario analysis, as included in our stress testing framework, position risk, as included in our economic risk capital, and sensitivity analysis. Each evaluation method aims to estimate the potential loss that we can incur due to an adverse market movement over a defined holding period with a specified confidence level. VaR, scenario analysis, position risk and sensitivity analysis complement each other in our market risk assessment and are used to measure market risk at the Group level. Our risk management practices are regularly reviewed to ensure they remain appropriate.

The Group's overall limit framework encompasses specific limits on a large number of different products and risk type concentrations. For example, there are controls over consolidated trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed capital. Risk limits are cascaded to lower organizational levels within the businesses. In addition, there is a framework regarding individual counterparty credit limits. Risk limits are binding and generally set close to the planned risk profile to ensure that any meaningful increase in risk exposures is promptly escalated. The Group's Organizational Guidelines and Regulations and the Group's policies determine limit-setting authority, temporary modification of such limits in certain situations and required approval authority at the Group, Bank, divisional, business and legal entity levels for any instances that could cause such limits to be exceeded. For example, with respect to market risk limits, the divisional chief risk officers and certain other members of senior management have the authority to temporarily increase the divisional risk committee limits by an approved percentage for a specified maximum period. Market risk limit excesses are subject to a formal escalation procedure and the incremental risk associated with the excess must be approved by the responsible risk manager within the risk management function, with escalation to senior management if certain thresholds are exceeded. The majority of the market risk limits are monitored on a daily basis. Limits for which the inherent calculation time is longer or for which the risk profile changes less often are monitored less frequently depending on the nature of the limit (weekly, monthly, or quarterly). For example, limits relating to illiquid investments are monitored on a monthly basis. The business is mandated to remediate market risk limit excesses within three business days upon notification. Remediation actions which take longer than three days are subject to an out-of-policy remediation process with senior management escalation. All limit excesses identified in 2016 were resolved in line with applicable policy requirements.

For the purpose of this disclosure, market risk in the trading book is mainly measured using VaR and market risk in our banking book is mainly measured using sensitivity analysis on related market factors.

Value-at-Risk

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period and that is expected to occur at a certain confidence level. VaR can be applied for all financial instruments with adequate price histories. Positions are aggregated by risk category rather than by product. For example, interest rate risk VaR includes the risk of fluctuations in interest rates arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk across different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations between different assets, applying the concept of portfolio diversification benefit described above for position risk. Our VaR model is designed to take into account a comprehensive set of risk factors across all asset classes.

VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

Our VaR model is predominantly based on historical simulation which derives plausible future trading losses from the analysis of historic market prices. The model is responsive to changes in volatility through the use of exponential weighting, which applies a greater weight to more recent events, and the use of expected shortfall equivalent measures to ensure all extreme adverse events are included in the model. We use the same VaR model for risk management (including limit monitoring and financial reporting), regulatory capital calculation and regulatory backtesting purposes, except for the confidence level and holding period used and the scope of financial instruments considered.

For our risk management VaR, we use a two-year historical dataset, a one-day holding period and a 98% confidence level. This means that we would expect daily mark-to-market trading losses to exceed the reported VaR not more than twice in 100 trading days over a multi-year observation period. This measure captures risks in trading books only and includes securitization positions. It is more closely aligned to the way we consider the risks associated with our trading activities. Our VaR used for limit monitoring purposes also uses a two-year historical dataset, a one-day holding period and a 98% confidence level. This measure includes positions from both the trading book and the banking book and also includes securitization positions.

For regulatory capital purposes, we operate under the Basel III market risk framework which includes the following components for the calculation of regulatory capital: regulatory VaR, stressed VaR, incremental risk charge (IRC), risk-not-in-VaR (RNIV), stressed RNIV and the impact of changes in a counterparty's credit spreads (also known as CVA). The regulatory VaR for capital purposes uses a two-year historical dataset, a ten-day holding period and a 99% confidence level. This measure captures all risks in the trading book and foreign exchange and commodity risks in the banking book and excludes securitization positions, as these are treated under the securitization approach for regulatory purposes. Stressed VaR replicates the regulatory VaR calculation on the Group's current portfolio over a continuous one-year observation period that results in the highest VaR. The historical dataset starting in 2006 avoids the smoothing effect of the two-year dataset used for our risk management and regulatory VaR, allows for the capturing of a longer history of potential loss events and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. IRC is a regulatory capital charge for default and migration risk on positions in the trading books. RNIV captures a variety of risks, such as certain basis risks, higher order risks and cross risks between asset classes, not currently captured by the VaR model for example due to lack of sufficient or accurate data.

Backtesting VaR uses a two-year historical dataset, a one-day holding period and a 99% confidence level. This measure captures risks in the trading book and includes securitization positions. Backtesting VaR is not a component used for the calculation of regulatory capital but may have an impact through the regulatory capital multiplier if the number of backtesting exceptions exceeds regulatory thresholds.

Assumptions used in our market risk measurement methods for regulatory capital purposes are compliant with the standards published by the BCBS and other international standards for market risk management. We have approval from FINMA, as well as from other regulators for our subsidiaries, to use our regulatory VaR model in the calculation of trading book market risk capital requirements. Ongoing enhancements to the methodology are subject to regulatory approval or notification depending on their materiality, and the model is subject to regular reviews by both regulators and the Group's independent model validation function.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

▸ Refer to "Other requirements" in Capital management – Swiss requirements for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

VaR limitations

The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio based on the behavior of historical market conditions. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions. Historical scenarios may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities and changes in the correlation of market prices across asset classes;
- VaR provides an estimate of losses at a specified confidence level, but it does not provide any information on the size of losses that could occur beyond that confidence level;
- VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence; and
- VaR is calculated using positions held at the end of each business day and does not include intra-day changes in exposures.

To mitigate some of the VaR limitations and estimate losses associated with unusually severe market movements, we use other metrics designed for risk management purposes and described above, including stressed VaR, position risk and scenario analysis.

For some risk types there can be insufficient historical data for a calculation within the Group's VaR model. This often happens because underlying instruments may have traded only for a limited time. Where we do not have sufficient market data, either market data proxies or extreme parameter moves for these risk types are used. Market data proxies are selected to be as close to the underlying instrument as possible. Where neither a suitable market dataset nor a close proxy is available, extreme parameter moves are used which are aggregated assuming a zero correlation.

We use a risk factor identification process to ensure that risks are identified and measured correctly. There are two parts to this process. First, the market data dependency approach systematically determines the risk requirements based on data inputs used by front-office pricing models and compares this with the risk types that are captured by the Group's VaR model and the RNIV framework. Second, the product-based approach is a qualitative analysis of product types undertaken in order to identify the risk types that those product types would be exposed to. A comparison is again made with the risk types that are captured in the VaR and RNIV frameworks. This process identifies risks that are not yet captured in the VaR model or the RNIV framework. A plan for including these risks in one or the other framework can then be devised. RNIV is captured in our economic risk capital framework.

VaR backtesting

Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory purposes. Our VaR backtesting process is used to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model. Backtesting involves comparing the results produced by the VaR model with daily trading revenues. Actual daily trading revenues for the purpose of this backtesting are defined as gains and losses arising from our trading activities, including mark-to-market gains and losses, the net cost of funding, and fees and commissions. Actual daily trading revenues do not include gains and losses resulting from valuation adjustments associated with counterparty and own credit exposures. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. Statistically, at the overall Group level, given the 99% confidence level and the one-day holding period used in the regulatory VaR model for backtesting purposes, we would expect daily trading losses to exceed the calculated daily VaR not more than once in 100 trading days over a multi-year observation period.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues, also referred to as “hypothetical” trading revenues under the Basel framework. The subset of actual daily trading revenues is defined on a consistent basis as the gains and losses for the regulatory VaR model but excludes non-market elements such as fees, commissions, non-market-related provisions, gains and losses from intra-day trading, cancellations and terminations.

VaR governance

Like other sophisticated models, our VaR model is subject to internal governance including validation by a team of modeling experts independent from the model developers. Validation includes identifying and testing the model’s assumptions and limitations, investigating its performance through historical and potential future stress events, and testing that the live implementation of the model behaves as intended. We employ a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, a dedicated VaR governance steering committee meets regularly to review model performance and approve any new or amended models.

Sensitivity analysis

Market risks associated with our banking book positions are measured, monitored and limited using several tools, including economic risk capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our banking book positions are measured using sensitivity analysis. Sensitivity analysis is a technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. The sensitivity analysis for the banking book positions measures the potential change in economic value resulting from specified hypothetical shocks to market factors (e.g., interest rates). It is not a measure of the potential impact on reported earnings in the current period, since the banking book positions generally are not marked to market through the income statement.

Credit and debit valuation adjustments

Credit valuation adjustments are modifications to the measurement of derivative assets used to reflect the credit risk of counterparties. Debit valuation adjustments are modifications to the measurement of derivative liabilities used to reflect an entity’s own credit risk. VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products.

Credit risk

Definition

Credit risk is the risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a counterparty default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets measured at fair value, with valuation changes recorded in the consolidated statements of operations.

Sources of credit risk

The majority of our credit risk is concentrated in our private banking, corporate and institutional as well as investment banking businesses. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Evaluation and management of credit risk

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

Our credit risk management framework covers virtually all of the Group’s credit exposure and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- industry concentration limits;
- product limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

Counterparty and transaction rating systems

We employ a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or OTC derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Our internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. For the calculation of internal risk estimates (e.g., an estimate of expected loss in the event of a counterparty default) and risk-weighted assets, a probability of default (PD), loss given default (LGD) and exposure at default (EAD) are assigned to each facility. These three parameters are primarily derived from internally developed statistical models that have been backtested against internal experience, validated by a function independent of the model owners on a regular basis and approved by our main regulators for application in the regulatory capital calculation in the A-IRB approach under the Basel framework. The A-IRB models are subject to a comprehensive backtesting process to demonstrate that model performance can be confirmed annually during the entire lifecycle of each model. During 2016, backtesting has been further improved to (i) include an enhanced historic database, (ii) increase parameter coverage and (iii) account for the changes in the legal entity structure of the Group. Findings from backtesting serve as a key input for any future model enhancements.

For corporates managed on the Swiss platform, consumer loans, and the majority of all other corporate and institutional counterparties, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative (primarily balance sheet information for corporates and loan-to-value (LTV) ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus). For models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes.

For the remaining corporate and institutional facilities not yet using a statistical rating model, a PD is determined through an internal rating assigned on the basis of a structured expert approach. Internal credit ratings are based on an analysis and evaluation of both quantitative and qualitative factors concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, industry comparisons, external ratings and research as well as the judgment of credit experts for the purpose of their analysis. The PD for each internal rating is calibrated to historical default experience using internal data and external data from Standard & Poor's.

LGD represents the expected loss on a transaction should a default occur, and our LGD models consider the structure, collateral, seniority of the claim, counterparty industry, recovery costs and downturn conditions.

EAD represents the expected exposure in the event of a default. Off-balance sheet exposures are converted into expected EADs through the application of a credit conversion factor which is modeled using internal data.

We use internal rating methodologies consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic risk capital measurement and allocation and financial accounting. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates.

Our internal rating grades are mapped to the Group's internal masterscale. The PDs assigned to each rating grade are reflected in the following table.

Credit Suisse counterparty ratings

Ratings	PD bands (%)	Definition	S&P	Fitch	Moody's	Details
AAA	0.000–0.021	Substantially risk free	AAA	AAA	Aaa	Extremely low risk, very high long-term stability, still solvent under extreme conditions
AA+ AA AA-	0.021–0.027 0.027–0.034 0.034–0.044	Minimal risk	AA+ AA AA-	AA+ AA AA-	Aa1 Aa2 Aa3	Very low risk, long-term stability, repayment sources sufficient under lasting adverse conditions, extremely high medium-term stability
A+ A A-	0.044–0.056 0.056–0.068 0.068–0.097	Modest risk	A+ A A-	A+ A A-	A1 A2 A3	Low risk, short- and medium-term stability, small adverse developments can be absorbed long term, short- and medium-term solvency preserved in the event of serious difficulties
BBB+ BBB BBB-	0.097–0.167 0.167–0.285 0.285–0.487	Average risk	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	Medium to low risk, high short-term stability, adequate substance for medium-term survival, very stable short term
BB+ BB BB-	0.487–0.839 0.839–1.442 1.442–2.478	Acceptable risk	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	Medium risk, only short-term stability, only capable of absorbing minor adverse developments in the medium term, stable in the short term, no increased credit risks expected within the year
B+ B B-	2.478–4.259 4.259–7.311 7.311–12.550	High risk	B+ B B-	B+ B B-	B1 B2 B3	Increasing risk, limited capability to absorb further unexpected negative developments
CCC+ CCC CCC- CC	12.550–21.543 21.543–100.00 21.543–100.00 21.543–100.00	Very high risk	CCC+ CCC CCC- CC	CCC+ CCC CCC- CC	Caa1 Caa2 Caa3 Ca	High risk, very limited capability to absorb further unexpected negative developments
C D1 D2	100 Risk of default has materialized	Imminent or actual loss	C D	C D	C	Substantial credit risk has materialized, i.e., counterparty is distressed and/or non-performing. Adequate specific provisions must be made as further adverse developments will result directly in credit losses.

Transactions rated C are potential problem loans; those rated D1 are non-performing assets and those rated D2 are non-interest earning.

Credit risk and country concentration limits overview

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

Active credit portfolio management

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance. Impaired transactions are further classified as potential problem exposure, non-performing exposure, non-interest-earning exposure or restructured exposure, and the exposures are generally managed within credit recovery units. The credit portfolio & provisions review committee regularly determines the adequacy of allowances.

Credit risk provisioning methodology

We maintain specific valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses identified in the existing credit portfolio. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a specific valuation allowance is either created or adjusted accordingly. The specific allowance for loan losses is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit-relevant events.

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the lending portfolio of the private banking, corporate and institutional businesses are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In the investment banking businesses, inherent losses on loans are estimated based on a model using long-term industry-wide historical default and recovery data taking into account the credit rating and industry of each counterparty. A separate component of the calculation reflects the current market conditions in the allowance for loan losses. Qualitative adjustments to reflect current market conditions or any other factors not captured by the model are approved by management and reflected in the allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Risk mitigation

We actively manage our credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

Collateral valuation and management

The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with our counterparties and an internally independent collateral management function.

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

For the mortgage lending portfolios in our private banking, corporate and institutional businesses, real estate property is valued at the time of credit approval and periodically thereafter, according to our internal policies and controls, depending on the type of loan (e.g., residential or commercial loan) and LTV ratio.

Primary types of collateral

The primary types of collateral typically depend on the type of credit transaction.

Collateral securing foreign exchange transactions and OTC trading activities primarily includes cash and US treasury instruments, G10 government securities and corporate bonds.

Collateral securing loan transactions primarily includes financial collateral pledged against loans collateralized by securities of clients in our private banking, corporate and institutional businesses (primarily cash and marketable securities), real estate property for mortgages, mainly residential, but also multi-family buildings, offices and commercial properties, and other types of lending collateral such as accounts receivable, inventory, plant and equipment.

Credit risk governance

Credit risk is managed and controlled by Group credit risk management, an independent function within the risk management area and governed by a framework of policies and procedures. Key processes are reviewed through supervisory checks on a regular basis by management, including the functional area head.

In order to strengthen the risk governance on credit exposures, we established the Credit Risk Review (CRR) function. CRR is a review function independent from credit risk management with a direct reporting line to the Board's Risk Committee. Its objective is to provide regular assessments of the Group's credit exposures and credit risk management practices. In 2016, CRR further strengthened its global operations. In particular in Switzerland, a new team was established to emphasize the global coverage of the operating model within Swiss Universal Bank and International Wealth Management.

CRR is responsible for performing cycled and continuous credit monitoring activities. These include (i) identifying credit exposures with potential weaknesses, (ii) assessing the accuracy and consistency of Group counterparty and transaction ratings, (iii) assessing compliance with internal and regulatory requirements for credit risk management, (iv) ensuring compliance with regulatory and supervisory statements where CRR is designated as a review function, and (v) reporting trends and material review recommendations to the Risk Committee and senior management.

Operational risk

Definition

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.

Sources of operational risk

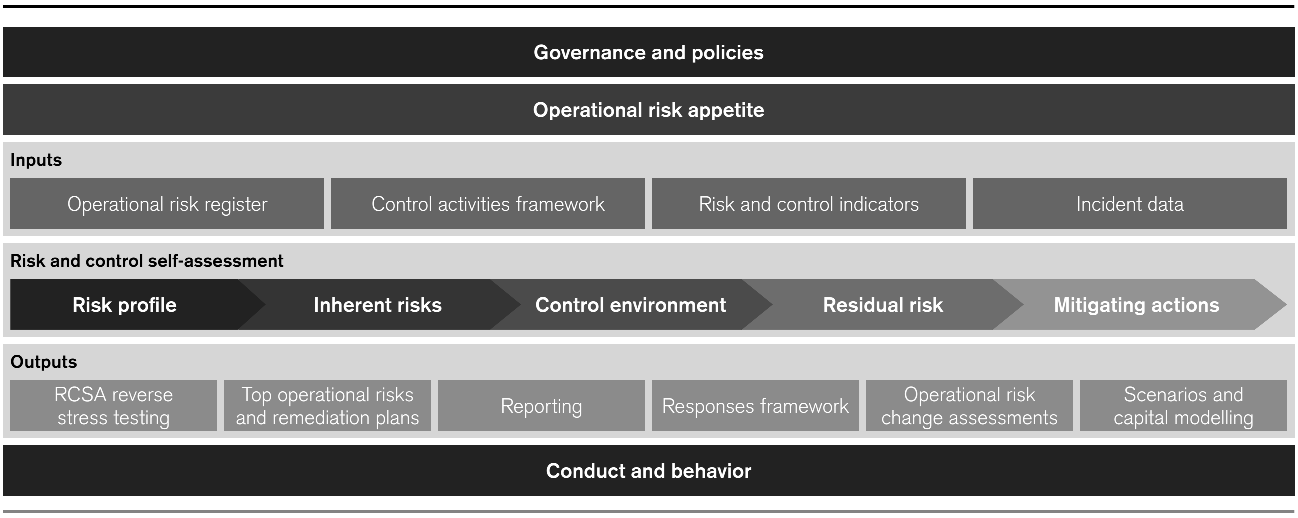
Operational risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorized trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

Evaluation and management of operational risk

Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. We believe that effective management of operational risk requires a common Group-wide operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. We started to introduce our current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past four years, we have redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. The following diagram provides a representation of the main components of our operational risk framework.

Operational risk framework



The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks across the Group while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Group-wide minimum standards. The main components of the operational risk framework are described below:

- Governance and policies: The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines appropriate escalation processes for outcomes that are outside expected levels. We utilize a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.
- Operational risk appetite: This determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided. They define their risk appetite with the relevant risk management committees in agreement with the operational risk management function.
- Operational risk register: The register comprises a catalog of inherent operational risks arising as a consequence of our business activities. It provides a consistent approach for classifying operational risks across the Group which ensures that they are treated consistently by other operational risk framework components using the appropriate processes and tools.
- Control activities framework: We utilize a comprehensive set of internal controls that are designed to ensure that our activities follow agreed policies and that processes operate as intended. Key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other operational risk framework components, such as in the risk and control self-assessment (RCSA) process.
- Risk and control indicators: These are metrics that are used to monitor particular operational risks and controls over time. They may be associated with thresholds that define acceptable performance and provide early warning signals about potential impending issues.
- Incident data: We systematically collect, analyze and report data on operational risk incidents to ensure that we understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. We focus both on incidents that result in economic losses and on events that provide information on potential control gaps, even if no losses occurred. We also collect and utilize available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the Group.
- Risk and control self-assessments: RCSAs are comprehensive, bottom-up assessments of the key operational and compliance risks in each business and control function. They comprise a self-assessment that defines a risk profile based on a Group-wide operational risk taxonomy and classifies risks under a standardized approach, covers the inherent risks of each business and control function, provides an evaluation of the effectiveness of the controls in place to mitigate these risks, determines the residual risk ratings and requires a decision to either accept or remediate any residual risks. In the case of remediation, mitigating actions are defined and approved by management. The assessments are subject to independent review and challenge by relevant risk management functions to ensure that they have been conducted appropriately. RCSAs utilize other components of the operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.

- RCSA reverse stress testing: Reverse stress testing is a complementary tool that introduces a more forward-looking element into the RCSA process. It assumes that a business has suffered an adverse outcome, such as a large operational risk loss, and requires consideration of the events that could have led to the result. As such, it allows for the consideration of risks beyond normal business expectations and it challenges common assumptions about the risk profile, the emergence of new risks or interactions between existing risks, as well as the performance of expected control and mitigation strategies.
- Top operational risks and remediation plans: A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.
- Reporting: We produce a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.
- Responses framework: This provides a structured approach to responding to operational risk incidents and breaches of operational risk appetite. The incident management component includes a defined process for identifying, categorizing, investigating, escalating and remediating incidents. We conduct detailed investigations for significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative operational risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how to best remediate issues that fall outside agreed risk appetite levels.
- Operational risk change assessments: Operational risk management independently assesses the impact of major change programs on the operational risk profile of the Group. This is designed to ensure that the operational risks of these initiatives are identified, assessed and managed throughout the life of each program using the relevant components of the operational risk framework.
- Scenarios and capital modelling: Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorized trading. These scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used by the Group to calculate economic and regulatory capital. These capital charges are allocated to individual businesses for performance measurement purposes and to incentivize appropriate management actions.
- Conduct and behavior: Recognizing that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behavior. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

In addition to managing and mitigating operational risks under the operational risk framework through business- and risk-related processes and organization, we also transfer the risk of potential loss from certain operational risks to third-party insurance companies in certain instances.

We are continuously enhancing our operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in one area to check that they deliver the intended benefits before being rolled out across the Group.

In 2016, we commenced the roll-out of our Enterprise Risk and Control Framework (ERCF), which is designed to integrate and harmonize existing risk and control assessment processes relating to non-financial risks, with an initial focus on operational and compliance risks. Implementing the ERCF will be a multi-year initiative that we expect will result in increased standardization of, and better links between, previously separate risk and control processes, which we believe will permit a more comprehensive and integrated approach to the risk management of non-financial risks. As an initial step, we closely coordinated the assessment processes for operational and compliance risks in 2016, resulting in an enhanced RCSA that covers both risk types in a more consistent manner. We also introduced standardized Group-wide role descriptions that define the responsibilities for identifying, assessing, reporting and managing risks across the organization. Finally, we continued to make progress in rolling out a systematic control activities framework as part of the ERCF that applies consistent standards and approaches to the identification, documentation and assessment of key controls across the Group.

Operational risk regulatory capital measurement

We have used an internal model to calculate the regulatory capital requirement for operational risk under the AMA approach since 2008. In 2014, we introduced an enhanced internal model that incorporated developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model for calculating the regulatory capital requirement for operational risk was approved by FINMA with effect from January 1, 2014. We view the revised model as a significant enhancement to our capability to measure and understand the operational risk profile of the Group that is also more conservative than the previous approach.

The model is based on a loss distribution approach that uses historical data on internal and relevant external losses of peers to generate frequency and severity distributions for a range of potential operational risk loss scenarios, such as an unauthorized trading incident or a material business disruption. Business experts and senior management review, and may adjust, the parameters of these scenarios to take account of business environment and internal control factors, such as RCSA results and risk and control indicators, to provide a forward-looking assessment of each scenario. Insurance mitigation is included in the regulatory capital requirement for operational risk where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate. The internal model then uses the adjusted parameters to generate an overall loss distribution for the Group over a one-year time horizon. The AMA capital requirement represents the 99.9th percentile of this overall loss distribution. We use a risk-sensitive approach to allocating the AMA capital requirement to businesses that is designed to be forward-looking and incentivize appropriate risk management behaviors.

In 2016, we continued the maintenance of our model methodology in order to ensure that it remains appropriate to capture the Group's operational risk profile. We also continued the process of aligning the output of the operational risk model with other key components of the operational risk framework as well as ensuring consistency with the stress scenario framework developed for enterprise-wide risk management purposes.

Operational risk governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams that are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.

The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout the Group for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions.

Technology risk

We operate in a complex technological landscape covering our business model. Ensuring that the confidentiality, integrity and availability of information assets are protected is critical to our operations.

Technology risk is the risk that technology-related failures, such as service outages or information security incidents, may disrupt business. As a component of operational risk, technology risk is inherent not only in our IT assets, but also in the people and processes that interact with them. We seek to ensure that the data used to support key business processes and reporting is secure, complete, accurate, timely and meets appropriate quality and integrity standards. We also require our critical IT systems to be secure, resilient and available with the capability, capacity and adaptability to meet current and future business objectives, the needs of our customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject us to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share.

Cyber risk, which is part of technology risk, is the risk that our systems will not operate properly or will be compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. We could also be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

Technology risks are managed through our technology risk management program, business continuity management plan and business contingency and resiliency plans. Although we have these plans in place, our businesses face a wide variety of technology risks including those arising from cyberattacks as well as dependencies on third-party suppliers and the worldwide telecommunications infrastructure.

Legal, compliance, regulatory and conduct risks

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

Compliance and regulatory risk is the risk that results from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on our franchise and clients we serve. It includes the risk that changes in laws, regulations, rules or market standards may limit our activities and have a negative effect on our business or our ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make our products and services more expensive for clients.

Conduct risk is the risk that improper behavior or judgment by our employees or representatives results in negative financial, non-financial and/or reputational harm to our clients, our employees, the Group, or damage to the integrity of the financial markets. Conduct risk may arise from a wide variety of activities and types of behaviors of a business and personal nature. A firm-wide definition of expectations relating to the conduct of our employees and representatives helps to ensure that we have a common understanding of and are consistently managing, minimizing, and mitigating our conduct risk and further promotes standards of responsible conduct and ethics in our employees. Managing conduct risk includes consideration of the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the Group and at other firms in the financial services sector.

As part of our risk framework, legal, compliance, regulatory and conduct risks fall within the definition of operational risk. Management of these risks is the responsibility of all our employees.

▸ Refer to "Risk culture" in Risk management oversight and to "Corporate governance framework" in IV – Corporate Governance and Compensation – Corporate Governance for further information on our Code of Conduct.

Reputational risk

Reputational risk is the risk that negative perception by our stakeholders, including clients, counterparties, employees, shareholders, regulators and the general public, may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources. Reputational risk is part of the Group's risk appetite framework to ensure that risk-taking is aligned with the approved risk appetite.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. The risk may also arise from reputational damage in the aftermath of an operational risk incident, such as cyber-crime or the failure by employees to meet expected conduct and ethical standards.

Our policy is to avoid any action, transaction or client relationship that involves the risk of an unacceptable level of damage to our reputation. We have a number of measures to mitigate potential reputational risk.

Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The policy requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the reputational risk review process. This involves a submission by an originator (any employee), approval by a business area head or designee, and its subsequent referral to one of the assigned reputational risk approvers, each of whom is an experienced and high-ranking senior manager, independent of the business divisions, who has authority to approve, reject or impose conditions on our participation in the transaction or service.

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

In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our *Corporate Responsibility Report*, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society.

Fiduciary risk

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

Monitoring investment performance and measuring risks across discretionary client portfolios is central to our oversight program. Areas of focus include:

- Monitoring client investment guidelines or breaches of investment fund obligations to investors. In certain cases, internal limits or guidelines are also established and monitored.
- Ensuring discretionary portfolio managers' investment approach is in line with client expectations and in accordance with written sales and marketing materials.
- Measuring investment performance of client investments and comparing the returns against benchmarks to understand sources and drivers of the returns.
- Assessing risk measures such as exposure, sensitivities, stress scenarios, expected volatility and liquidity across our portfolios to ensure that we are managing the assets in line with the clients' expectations and risk tolerance.
- Treating clients with a prudent standard of care, which includes information disclosure, subscriptions and redemptions processes, trade execution and requiring the highest ethical conduct.

Sound governance is essential for all discretionary management activities including trade execution and investment process. Our program targets daily, monthly or quarterly monitoring of all portfolio management activities with independent analysis provided to senior management. Formal review meetings are in place to ensure that investment performance and risks are in line with expectations and adequately supervised.

Strategic risk

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

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

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

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

▸ Refer to "Strategy" in I – Information on the company for further information.

To complement the annual cycle, each division presents a more detailed individual analysis to review key dimensions of its strategy at various points during the year. Additionally, the CEO, the Executive Board and individual business heads regularly assess the performance of each business against strategic objectives through a series of strategic business reviews conducted throughout the year. The reviews include assessments of business strategy, overall operating environment, including our competitive position, financial performance and key business risks.

RISK REVIEW AND RESULTS

Economic risk capital review

Methodology and model developments

We regularly review and update our economic risk capital methodology to ensure consistency with our business activities and relevance to our business and financial strategies. In the first six months of 2016, we enhanced our economic risk capital and available economic capital methodology, datasets and model parameters and restated the respective prior-period balances for these updates.

Economic risk capital

In the second quarter of 2016, we updated the divisional economic risk capital models to reflect the impact of the accelerated restructuring of the Global Markets business announced on March 23, 2016. During the course of 2016, we also enhanced the position risk methodology and modified the parameters we use in the modeling of our international lending & counterparty exposures to be more granular with respect to transaction ratings relating to regions, industries and products and updated the aggregation approach between international lending exposure and counterparty exposure. The net impact of the 2016 changes and updates on economic risk capital for the Group as of December 31, 2015 was a decrease of CHF 307 million, or 0.8%.

In the fourth quarter of 2016, we enhanced the method used to aggregate risk for our illiquid investments and emerging markets country event exposures in our position risk model. We also updated the parameters of our operational risk model following the annual recalibration of our AMA model. The updated parameters reflected our settlement with the DOJ regarding our legacy RMBS business. For other risks, we revised the measurement of the deferred equity compensation benefit to align it with available economic capital and changed the method used to aggregate risk not in economic risk capital for allocation to the divisions. The cumulative impact of these updates on our economic risk capital measures was immaterial and prior periods have not been restated.

Available economic capital

For available economic capital, we enhanced the economic adjustments to include additional granularity, which allows us to recognize the funded status for each of our individual pension plans as opposed to their combined funded status. The net impact of this methodology change on available economic capital for the Group as of December 31, 2015 was an increase of CHF 707 million, or 1.4%.

Economic risk capital

end of	2016	2015	% change
Available economic capital (CHF million)			
BIS look-through CET1 capital (Basel III)	30,783	32,938	(7)
Economic adjustments [1]	15,166	17,284	(12)
Available economic capital	**45,949**	**50,222**	(9)
Position risk (CHF million)			
Fixed income trading [2]	1,270	1,230	3
Equity trading & investments	1,504	1,872	(20)
Private banking corporate & retail lending	2,920	2,751	6
International lending & counterparty exposures	5,784	6,094	(5)
Emerging markets country event risk	1,168	1,544	(24)
Real estate & structured assets [3]	1,188	1,917	(38)
Diversification benefit [4]	(2,495)	(2,762)	(10)
Position risk (99% confidence level for risk management purposes)	**11,339**	**12,646**	(10)
Economic risk capital (CHF million)			
Position risk (99.97% confidence level for capital management purposes)	20,299	22,375	(9)
Operational risk	7,720	7,501	3
Other risks [5]	6,628	6,031	10
Economic risk capital	**34,647**	**35,907**	(4)
Economic risk capital coverage ratio (%)			
Economic risk capital coverage ratio [6]	**133**	**140**	–

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

1 Includes primarily high- and low-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.
2 This category comprises fixed income trading, foreign exchange, commodity and insurance exposures.
3 This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.
4 Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.
5 Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.
6 Ratio of available economic capital to economic risk capital.

Available economic capital trends

As of the end of 2016, our available economic capital for the Group was CHF 45.9 billion, a decrease of CHF 4.3 billion from the end of 2015. BIS look-through CET1 capital decreased CHF 2.2 billion, primarily due to the net loss attributable to shareholders' and the cash component of a dividend accrual, partially offset by the issuance of common shares in the second quarter of 2016 and a favorable foreign exchange impact. Economic adjustments decreased CHF 2.1 billion, mainly due to the redemption of high-trigger tier 2 instruments, partially offset by increased unrealized gains on owned real estate from an increased market value of our Swiss property portfolio.

Economic risk capital by division

	End of period			Average		
	2016	2015	% change	**2016**	2015	% change
Economic risk capital by division (CHF million)						
Swiss Universal Bank	5,789	5,233	11	5,564	5,119	9
International Wealth Management	3,816	3,469	10	3,785	3,288	15
Asia Pacific	4,504	3,684	22	4,174	3,405	23
Global Markets	9,295	11,733	(21)	9,928	12,372	(20)
Investment Banking & Capital Markets	5,117	4,068	26	4,652	3,717	25
Strategic Resolution Unit	5,145	7,084	(27)	5,691	6,305	(10)
Corporate Center [1]	981	764	28	1,058	701	51
Economic risk capital	**34,647** [2]	**35,907** [2]	(4)	**34,737** [3]	**34,821** [3]	0

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends. The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.
[1] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.
[2] Includes a diversification benefit of CHF 0 million and CHF 128 million as of December 31, 2016 and 2015, respectively.
[3] Includes a diversification benefit of CHF 115 million and CHF 86 million as of December 31, 2016 and 2015, respectively.

Economic risk capital trends

Compared to the end of 2015, our economic risk capital decreased 4% to CHF 34.6 billion as of the end of 2016. Excluding the US dollar translation impact, economic risk capital decreased 5%, mainly due to a 12% decrease in position risk, partially offset by net increases in other risks and operational risk. The decrease in position risk primarily reflected lower risk in real estate & structured assets related to reduced commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) exposures, decreased loan commitments and counterparty risk in international lending & counterparty exposures, decreased risk in equity trading & investments, mainly due to lower private equity and derivatives exposures in Asia and in the US, and reduced exposures relating to Latin America in emerging markets country event risk. Fixed income trading was stable, primarily reflecting reductions in 2016 in our high yield and distressed credit exposures and collateralized loan obligations (CLO), offset by higher interest rate risk from derivatives in the US and Europe. These decreases in position risk were partially offset by increased private banking corporate & retail lending exposures across markets. The increase in other risks was mainly due to increased foreign exchange risk between available economic capital and economic risk capital, reduced benefit from deferred share-based compensation awards and higher pension risk, mainly driven by a change in discount rates in the Swiss pension plan, partially offset by a decrease in risks not included in the position risk framework. The increase in operational risk was mainly driven by the 2016 model recalibration including the settlement with the DOJ regarding our legacy RMBS business.

For Swiss Universal Bank, economic risk capital increased 11% to CHF 5.8 billion, mainly due to higher pension risk.

For International Wealth Management, economic risk capital increased 10% to CHF 3.8 billion, mainly due to higher pension risk and increased private banking corporate & retail lending exposures across markets.

For Asia Pacific, economic risk capital increased 22% to CHF 4.5 billion, mainly due to higher private banking corporate & retail lending exposures and higher international lending & counterparty exposures.

For Global Markets, economic risk capital decreased 21% to CHF 9.3 billion. Excluding the US dollar translation impact, economic risk capital decreased 23%, primarily reflecting decreased real estate & structured assets, lower international lending & counterparty exposures and lower emerging markets country event risk.

For Investment Banking & Capital Markets, economic risk capital increased 26% to CHF 5.1 billion, mainly due to higher international lending & counterparty exposures.

For the Strategic Resolution Unit, economic risk capital decreased 27% to CHF 5.1 billion. Excluding the US dollar translation impact, economic risk capital decreased 29%, mainly due to decreased international lending & counterparty exposures, lower private banking corporate & retail lending exposures and decreased risk in equity trading & investments, mainly due to lower private equity and derivatives exposures in Asia and in the US.

Market risk review

Trading book

Development of trading book risks

The tables entitled "One-day, 98% risk management VaR" show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR in Swiss francs and US dollars. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodity and equity.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 2016, we updated our VaR model to capture certain higher order risks for inflation-linked derivatives and improved our VaR methodology in order to capture certain higher order risks in the price-yield-relationships for vanilla credit products. These risks were previously included in our risk not in VaR. We also enhanced the methodology we use to capture the difference between a traded credit index and its single-name CDS constituents and enhanced the recognition of credit spread risk by using a more specific corporate bond time series in the US and in Europe. Furthermore, we improved the methodology we use to capture the credit spread risk in semi-sovereign positions in emerging markets countries by using more granular time series. The impact of these updates on our VaR measures was immaterial and prior periods have not been restated.

One-day, 98% risk management VaR

in / end of	Interest rate	Credit spread	Foreign exchange	Commodity	Equity	Diversification benefit	**Total**
Risk management VaR (CHF million)							
2016							
Average	14	28	8	2	16	(35)	33
Minimum	9	20	4	1	10	– [1]	24
Maximum	20	44	18	3	38	– [1]	65
End of period	15	21	7	1	13	(28)	29
2015							
Average	20	36	11	2	23	(43)	49
Minimum	6	31	5	1	16	– [1]	34
Maximum	35	42	22	4	35	– [1]	63
End of period	17	40	9	1	31	(42)	56
2014							
Average	12	32	9	2	18	(31)	42
Minimum	7	28	5	0	13	– [1]	35
Maximum	17	39	17	4	25	– [1]	56
End of period	9	39	7	1	20	(29)	47
Risk management VaR (USD million)							
2016							
Average	14	28	9	2	17	(36)	34
Minimum	9	21	3	1	10	– [1]	23
Maximum	20	44	18	3	38	– [1]	65
End of period	15	21	6	1	13	(28)	28
2015							
Average	20	37	11	2	24	(43)	51
Minimum	6	32	5	1	17	– [1]	40
Maximum	35	42	23	4	35	– [1]	64
End of period	17	40	9	1	32	(42)	57
2014							
Average	13	35	10	2	20	(34)	46
Minimum	7	31	6	0	15	– [1]	39
Maximum	19	41	19	5	27	– [1]	59
End of period	9	40	7	1	20	(30)	47

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

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

in	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Strategic Resolution Unit	Diversi- fication benefit [1]	**Credit Suisse**
Average risk management VaR (CHF million)							
2016	3	2	16	26	13	(27)	33
2015	7	1	18	44	25	(46)	49
2014	15	0	12	44	57	(86)	42
Average risk management VaR (USD million)							
2016	3	2	17	27	14	(29)	34
2015	8	1	19	45	26	(48)	51
2014	17	0	13	48	63	(95)	46

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

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

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

Average risk management VaR in 2016 decreased 33% from 2015 to USD 34 million. This decrease was mainly driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe, and reduced equity and interest rate exposures from derivatives in Europe. For Global Markets, average risk management VaR in 2016 decreased, mainly driven by reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe and reduced equity exposures from derivatives in Europe. For the Strategic Resolution Unit, the decrease in average risk management VaR was mainly due to reduced exposures in distressed credit products across credit markets and reduced interest rate exposures. For Swiss Universal Bank, the decrease in average risk management VaR was primarily driven by reduced interest rate exposures from derivatives in Europe. For Asia Pacific, the decrease in average risk management VaR was primarily driven by reduced risk in equity derivatives.

Period-end risk management VaR as of December 31, 2016 decreased 51% to USD 28 million compared to December 31, 2015, mainly driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe, and reduced equity and interest rate exposures from derivatives in Europe.

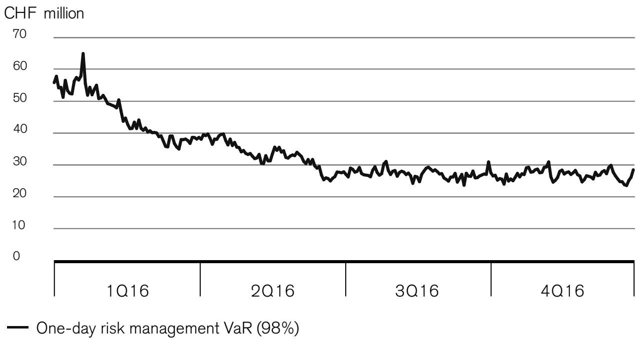
In the 12-month period ending December 31, 2016, we had two backtesting exceptions in our regulatory VaR model, compared to one backtesting exception in the 12-month periods ending December 31, 2015. In the 12-month period ending December 31, 2014, we had no backtesting exceptions in our regulatory VaR model. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2016, 2015 and 2014, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

▸ Refer to "Other requirements" in Capital management – Swiss requirements for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

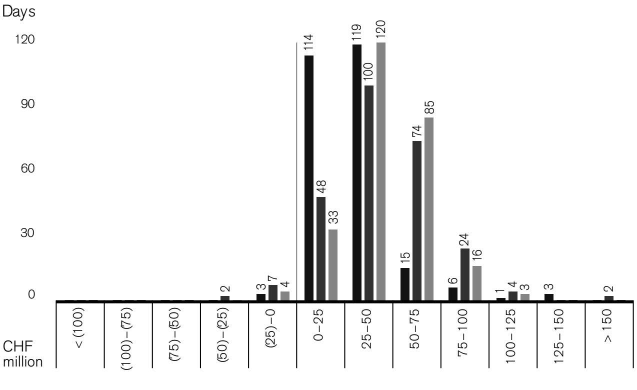
The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2016 with those for 2015 and 2014. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2016, we had three trading loss days, each of them with a trading loss not exceeding CHF 25 million, compared to nine trading loss days in 2015, seven of them with a trading loss not exceeding CHF 25 million.

Daily risk management VaR



Excludes risks associated with counterparty and own credit exposures.

Actual daily trading revenues



Trading revenues exclude Neue Aargauer Bank AG and valuation adjustments associated with counterparty and own credit exposures.

Banking book

Development of banking book interest rate risks

Interest rate risk on banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions. The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions would have been an increase of CHF 4.9 million as of December 31, 2016, compared to an increase of CHF 3.3 million as of December 31, 2015.

One basis point parallel increase in yield curves by currency – banking book positions

end of	CHF	USD	EUR	GBP	Other	**Total**
2016 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	0.1	3.5	1.3	(0.1)	0.1	4.9
2015 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	(1.3)	3.2	0.7	0.0	0.7	3.3

Interest rate risk on banking book positions is also assessed using other measures, including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point moves in the yield curves.

Interest rate scenario results – banking book positions

end of	CHF	USD	EUR	GBP	Other	**Total**
2016 (CHF million)						
Increase (+)/decrease (–) in interest rates						
+200 basis points	8	704	257	(18)	36	987
+100 basis points	5	356	131	(11)	18	499
–100 basis points	(8)	(366)	(134)	15	(17)	(510)
–200 basis points	(18)	(740)	(273)	35	(35)	(1,031)
2015 (CHF million)						
Increase (+)/decrease (–) in interest rates						
+200 basis points	(241)	599	110	18	128	614
+100 basis points	(124)	309	58	5	65	313
–100 basis points	130	(327)	(64)	3	(69)	(327)
–200 basis points	266	(674)	(133)	13	(138)	(666)

As of December 31, 2016, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 1.0 billion compared to a loss of CHF 0.7 billion as of December 31, 2015. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2016 and 2015, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a one-year holding period at a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of interest rate risk in the banking book.

Development of banking book equity risks

Our equity portfolios of the banking book include positions in private equity, hedge funds, strategic investments and other instruments. These positions may not be strongly correlated with general equity markets. Equity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of CHF 517 million in the value of the banking book portfolio as of December 31, 2016, compared to a decrease of CHF 464 million as of December 31, 2015.

Development of banking book commodity risks

Our commodity portfolios of the banking book include mainly precious metals, primarily gold. Commodity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would have been a decrease of CHF 0.1 million in the value of the banking book portfolio as of December 31, 2016 and 2015.

Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2016, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would have resulted in a CHF 1.0 million gain on the overall derivatives position in the investment banking businesses. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would have resulted in a CHF 26.0 million gain as of December 31, 2016.

Credit risk review

Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management.

‣ Refer to “Impaired loans” in V – Consolidated financial statements – Credit Suisse Group – Note 19 – Loans, allowance for loan losses and credit quality for information on credit quality and aging analysis of loans.

For regulatory capital purposes, credit risk comprises several regulatory categories where credit risk measurement and related regulatory capital requirements are subject to different measurement approaches under the Basel framework. Details on regulatory credit risk categories, credit quality indicators and credit risk concentration are available in our disclosures required under Pillar 3 of the Basel framework related to risk, which will be available on our website at *www.credit-suisse.com/pillar3*.

Loans and irrevocable loan commitments

The following table provides an overview of loans and irrevocable loan commitments by division in accordance with generally accepted accounting standards in the US and are not comparable with the regulatory credit risk exposures presented in our disclosures required under Pillar 3 of the Basel framework.

Loans and irrevocable loan commitments

end of	**2016**	2015 [1]	% change
Loans and irrevocable loan commitments (CHF million)			
Gross loans	277,043	274,006	1
Irrevocable loan commitments	116,975	137,653	(15)
Total loans and irrevocable loan commitments	**394,018**	**411,659**	(4)
of which Swiss Universal Bank	175,717	171,567	2
of which International Wealth Management	48,527	44,604	9
of which Asia Pacific	44,399	39,227	13
of which Global Markets	67,063	84,970	(21)
of which Investment Banking & Capital Markets	43,145	43,919	(2)
of which Strategic Resolution Unit	14,636	26,672	(45)

[1] Prior period for the divisions has been restated, primarily to reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.

Loans held-for-sale and traded loans

As of December 31, 2016 and 2015, loans held-for-sale included CHF 82 million and CHF 258 million, respectively, of US subprime residential mortgages from consolidated variable interest entities (VIE) and CHF 0 million and CHF 91 million, respectively, of low-grade European residential mortgages from consolidated VIEs. Traded loans included US subprime residential mortgages of CHF 1,152 million and CHF 1,118 million as of December 31, 2016 and 2015, respectively.

Loans

The following table provides an overview of our loans by loan classes, impaired loans, the related allowance for loan losses and selected loan metrics by business division. The carrying values of loans and related allowance for loan losses are presented in accordance with generally accepted accounting standards in the US and are not comparable with the regulatory credit risk exposures presented in our disclosures required under Pillar 3 of the Basel framework.

Loans

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse [1]
2016 (CHF million)							
Mortgages	99,383	3,551	1,166	0	0	235	104,335
Loans collateralized by securities	7,224	17,863	11,704	0	273	204	37,268
Consumer finance	2,923	438	3	18	0	108	3,490
Consumer	109,530	21,852	12,873	18	273	547	145,093
Real estate	23,661	1,383	499	160	214	99	26,016
Commercial and industrial loans	28,460	19,618	23,405	3,788	4,441	4,008	83,740
Financial institutions	3,657	2,077	2,320	4,351	465	4,878	17,921
Governments and public institutions	801	223	1,135	1,070	0	1,044	4,273
Corporate & institutional	56,579 [2]	23,301 [3]	27,359 [4]	9,369	5,120	10,029	131,950
Gross loans	**166,109**	**45,153**	**40,232**	**9,387**	**5,393**	**10,576**	**277,043**
of which held at fair value	38	397	5,377	6,711	2,545	4,460	19,528
Net (unearned income) / deferred expenses	38	(99)	(27)	(8)	(8)	(25)	(129)
Allowance for loan losses [5]	(462)	(89)	(71)	(19)	(24)	(273)	(938)
Net loans	**165,685**	**44,965**	**40,134**	**9,360**	**5,361**	**10,278**	**275,976**
2015 (CHF million)							
Mortgages	97,529	4,080	1,039	0	0	516	103,164
Loans collateralized by securities	7,799	16,748	11,184	0	554	1,661	37,946
Consumer finance	2,971	434	29	28	1	303	3,766
Consumer	108,299	21,262	12,252	28	555	2,480	144,876
Real estate	23,499	877	321	659	482	601	26,451
Commercial and industrial loans	26,549	16,627	21,220	5,061	3,056	5,185	77,767
Financial institutions	4,031	1,393	1,606	7,306	1,199	5,756	21,334
Governments and public institutions	831	82	585	694	0	1,386	3,578
Corporate & institutional	54,910 [2]	18,979 [3]	23,732 [4]	13,720	4,737	12,928	129,130
Gross loans	**163,209**	**40,241**	**35,984**	**13,748**	**5,292**	**15,408**	**274,006**
of which held at fair value	81	202	4,724	7,329	2,298	6,186	20,820
Net (unearned income) / deferred expenses	7	(82)	(29)	(13)	(6)	(22)	(145)
Allowance for loan losses [5]	(499)	(75)	(50)	(35)	(6)	(201)	(866)
Net loans	**162,717**	**40,084**	**35,905**	**13,700**	**5,280**	**15,185**	**272,995**

1 Includes the Corporate Center, in addition to the business divisions disclosed.
2 The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 11,266 million and CHF 33,515 million, respectively, as of December 31, 2016, and CHF 9,201 million and CHF 33,615 million, respectively, as of December 31, 2015.
3 The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 18,084 million and CHF 1,165 million, respectively, as of December 31, 2016, and CHF 15,951 million and CHF 911 million, respectively, as of December 31, 2015.
4 The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 21,135 million and CHF 175 million, respectively, as of December 31, 2016, and CHF 17,627 million and CHF 244 million, respectively, as of December 31, 2015.
5 Allowance for loan losses are only based on loans which are not carried at fair value.

Compared to December 31, 2015, gross loans increased CHF 3.0 billion to CHF 277.0 billion as of December 31, 2016, mainly driven by higher commercial and industrial loans and residential mortgages, partially offset by lower loans to financial institutions. Commercial and industrial loans increased CHF 6.0 billion, reflecting increases in International Wealth Management, Asia Pacific, Swiss Universal Bank and Investment Banking & Capital Markets, partially offset by decreases in Global Markets and the Strategic Resolution Unit. The net increase of CHF 1.2 billion in residential mortgages was mainly driven by an increase in Swiss Universal Bank, partially offset by a decrease in International Wealth Management. The net increase of CHF 0.7 billion in loans to governments and public institutions was mainly due to an increase in Asia Pacific and Global Markets.

Loans to financial institutions decreased CHF 3.4 billion, primarily reflecting decreases in Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit, partially offset by increases in Asia Pacific and International Wealth Management. A net decrease of CHF 0.7 billion in loans collateralized by securities was mainly driven by decreases in the Strategic Resolution Unit and Swiss Universal Bank, partially offset by increases in International Wealth Management and Asia Pacific. Loans to the real estate sector decreased CHF 0.4 billion, mainly driven by decreases in the Strategic Resolution Unit and Global Markets, partially offset by an increase in International Wealth Management. The foreign exchange impact from the strengthening of the US dollar against the Swiss franc had a favorable impact on gross loans across all divisions.

On a divisional level, increases in gross loans of CHF 4.9 billion in International Wealth Management, CHF 4.2 billion in Asia Pacific and CHF 2.9 billion in Swiss Universal Bank were partially offset by a decrease of CHF 4.8 billion in the Strategic Resolution Unit and CHF 4.4 billion in Global Markets. Gross loans of Investment Banking & Capital Markets were stable compared to December 31, 2015.

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group.

As of December 31, 2016, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 104.5 billion had an LTV ratio equal to or lower than 80%. As of December 31, 2015, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 102.3 billion had an LTV ratio equal to or lower than 80%. For substantially all Swiss residential mortgage loans originated in 2016 and 2015, the average LTV ratio was equal to or lower than 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

Impaired loans

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	**Credit Suisse** [1]
2016 (CHF million)							
Non-performing loans	341	179	242	8	0	466	1,236
Non-interest-earning loans	168	17	1	0	0	79	265
Non-performing and non-interest-earning loans	509	196	243	8	0	545	1,501
Restructured loans	53	89	17	0	0	199	358
Potential problem loans	191	39	6	9	0	368	613
Other impaired loans	244	128	23	9	0	567	971
Gross impaired loans [2]	**753**	**324**	**266**	**17**	**0**	**1,112**	**2,472**
of which loans with a specific allowance	674	170	239	17	0	985	2,085
of which loans without a specific allowance	79	154	27	0	0	127	387
2015 (CHF million)							
Non-performing loans	414	94	205	26	2	242	983
Non-interest-earning loans	201	33	3	0	0	35	272
Non-performing and non-interest-earning loans	615	127	208	26	2	277	1,255
Restructured loans	44	52	10	0	0	176	282
Potential problem loans	136	73	11	9	0	207	436
Other impaired loans	180	125	21	9	0	383	718
Gross impaired loans [2]	**795**	**252**	**229**	**35**	**2**	**660**	**1,973**
of which loans with a specific allowance	729	148	227	35	2	469	1,610
of which loans without a specific allowance	66	104	2	0	0	191	363

1 Includes the Corporate Center, in addition to the business divisions disclosed.
2 Impaired loans are only based on loans which are not carried at fair value.

Impaired loans and allowance for loan losses

Compared to December 31, 2015, gross impaired loans increased CHF 0.5 billion to CHF 2.5 billion as of December 31, 2016, mainly driven by increases in non-performing loans and potential problem loans. Non-performing loans increased CHF 253 million, mainly driven by increases in the Strategic Resolution Unit and International Wealth Management. Potential problem loans increased CHF 177 million, mainly driven by increases in the Strategic Resolution Unit and Swiss Universal Bank. Restructured loans increased CHF 76 million, mainly driven by increases in International Wealth Management and the Strategic Resolution Unit.

In the Strategic Resolution Unit, gross impaired loans increased CHF 452 million, primarily driven by several new impairments in ship finance including a single large exposure in the fourth quarter of 2016, partially offset by related repayments and write-offs. In International Wealth Management, gross impaired loans increased CHF 72 million, primarily driven by ship finance and aviation finance exposures. In Asia Pacific, gross impaired loans increased CHF 37 million, mainly driven by a small number of individually impaired share-based loans in Hong Kong which were impaired due to their collateral values abruptly falling below their loan amounts, partially offset by the repayment of a share-based loan in the first quarter of 2016. In Swiss Universal Bank, gross impaired loans decreased CHF 42 million, mainly driven by write-offs in consumer finance and corporate & institutional loans as well as upgrades to performing loans, partially offset by new impairments across corporate & institutional and consumer loans. In Global Markets, gross impaired loans decreased CHF 18 million, primarily driven by a reduction in impaired loans related to employee investment programs.

▸ Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 19 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

Allowance for loan losses

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	**Credit Suisse** [1]
2016 (CHF million)							
Allowance for loan losses at beginning of period [2]	**499**	**75**	**50**	**35**	**6**	**201**	**866**
of which individually evaluated for impairment	366	43	38	15	0	188	650
of which collectively evaluated for impairment	133	32	12	20	6	13	216
Net movements recognized in statements of operations	74	23	14	(7)	15	130	249
Gross write-offs	(122)	(24)	(7)	(10)	(1)	(114)	(278)
Recoveries	8	9	1	1	2	45	66
Net write-offs	(114)	(15)	(6)	(9)	1	(69)	(212)
Provisions for interest	3	2	11	0	0	2	18
Foreign currency translation impact and other adjustments, net	0	4	2	0	2	9	17
Allowance for loan losses at end of period [2]	**462**	**89**	**71**	**19**	**24**	**273**	**938**
of which individually evaluated for impairment	314	56	62	9	0	259	700
of which collectively evaluated for impairment	148	33	9	10	24	14	238

1 Includes the Corporate Center, in addition to the business divisions disclosed.
2 Allowance for loan losses are only based on loans which are not carried at fair value.

The following tables provide an overview of changes in impaired loans and related allowance for loan losses by loan portfolio segment.

Gross impaired loans by loan portfolio segment

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

1 Full or partial principal repayments.
2 Includes transfers to loans held-for-sale for intended sales of held-to-maturity loans.

Allowance for loan losses by loan portfolio segment

	Consumer	Corporate & institutional	**Total**
2016 (CHF million)			
Balance at beginning of period	**216**	**650**	**866**
of which individually evaluated for impairment	170	480	650
of which collectively evaluated for impairment	46	170	216
Net movements recognized in statements of operations	63	186	249
Gross write-offs	(86)	(192)	(278)
Recoveries	13	53	66
Net write-offs	(73)	(139)	(212)
Provisions for interest	10	8	18
Foreign currency translation impact and other adjustments, net	0	17	17
Balance at end of period	**216**	**722**	**938**
of which individually evaluated for impairment	172	528	700
of which collectively evaluated for impairment	44	194	238

Loan metrics

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	**Credit Suisse** [1]
2016 (%)							
Non-performing and non-interest-earning loans / Gross loans	0.3	0.4	0.7	0.3	0.0	8.9	0.6
Gross impaired loans / Gross loans	0.5	0.7	0.8	0.6	0.0	18.2	1.0
Allowance for loan losses / Gross loans	0.3	0.2	0.2	0.7	0.8	4.5	0.4
Specific allowance for loan losses / Gross impaired loans	41.7	17.3	23.3	52.9	–	23.3	28.3
2015 (%)							
Non-performing and non-interest-earning loans / Gross loans	0.4	0.3	0.7	0.4	0.1	3.0	0.5
Gross impaired loans / Gross loans	0.5	0.6	0.7	0.5	0.1	7.2	0.8
Allowance for loan losses / Gross loans	0.3	0.2	0.2	0.5	0.2	2.2	0.3
Specific allowance for loan losses / Gross impaired loans	46.0	17.1	16.6	42.9	0.0	28.5	32.9

Gross loans and gross impaired loans exclude loans carried at fair value and the allowance for loan losses is only based on loans which are not carried at fair value.
1 Includes the Corporate Center, in addition to the business divisions disclosed.

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate swaps, cross-currency swaps and credit default swaps (CDS), interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of individual customers and for our own account. Positive replacement values (PRV) constitute an asset, while negative replacement values (NRV) constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

The following table illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us as collateral for the underlying transaction. The carrying values of derivatives are presented in accordance with generally accepted accounting standards in the US and are not comparable with the derivatives metrics presented in our disclosures required under Pillar 3 of the Basel framework.

Derivative instruments by maturity

end of				2016				2015
due within	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value
Derivative instruments (CHF billion)								
Interest rate products	15.3	43.9	79.2	138.4	15.0	60.7	94.1	169.8
Foreign exchange products	34.6	17.7	9.6	61.9	30.6	18.9	10.4	59.9
Equity/index-related products	6.0	5.1	1.3	12.4	6.6	5.6	1.3	13.5
Credit derivatives	1.0	4.7	2.4	8.1	2.7	12.4	2.7	17.8
Other products [1]	0.6	0.4	1.5	2.5	0.8	0.9	1.4	3.1
OTC derivative instruments	**57.5**	**71.8**	**94.0**	**223.3**	**55.7**	**98.5**	**109.9**	**264.1**
Exchange-traded derivative instruments				11.8				9.6
Netting agreements [2]				(208.2)				(245.1)
Total derivative instruments				**26.9**				**28.6**
of which recorded in trading assets				26.8				28.4
of which recorded in other assets				0.1				0.2

[1] Primarily precious metals, commodity, energy and emission products.
[2] Taking into account legally enforceable netting agreements.

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

Derivative instruments by counterparty credit rating

end of	2016	2015
Derivative instruments (CHF billion)		
AAA	1.5	1.7
AA	8.0	6.4
A	5.8	7.5
BBB	8.7	8.8
BB or lower	2.2	3.6
OTC derivative instruments	**26.2**	**28.0**
Exchange-traded derivative instruments [1]	0.7	0.6
Total derivative instruments [1]	**26.9**	**28.6**

[1] Taking into account legally enforceable netting agreements.

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

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

▸ Refer to "Note 27 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information on offsetting of derivatives.

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our OTC derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history, as well as the absolutely worst weekly move observed in the same dataset. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure that we have to this country in the event of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would be severely affected by a default across the selected European countries. These counterparties are assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country even if its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view before deduction of any related allowance for loan losses. We present our credit risk exposure and related ◉ risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the ◉ PRV of derivative instruments after consideration of legally enforceable ◉ netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at the issuer level.
- *Risk mitigation* includes ◉ CDS and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for exposures of our private banking, corporate and institutional businesses to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at the issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and ◉ total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market ◉ fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Malta, Portugal and Spain as of December 31, 2016 was EUR 2,959 million, 19% lower compared to EUR 3,674 million as of December 31, 2015. Our net exposure to these sovereigns was EUR 531 million, 35% lower compared to EUR 822 million as of December 31, 2015. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2016 included net exposures to financial institutions of EUR 1,994 million, 45% lower compared to EUR 3,654 million as of December 31, 2015, and to corporates and other counterparties of EUR 1,311 million, 2% higher compared to EUR 1,282 million as of December 31, 2015.

A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

Sovereign debt rating developments

From year-end 2015 through February 28, 2017, the sovereign debt ratings of the countries listed in the table changed as follows: Standard & Poor's increased Cyprus' rating from BB- to BB, increased Greece's rating from CCC+ to B- and increased Malta's rating from BBB+ to A-. Fitch increased Cyprus' rating from B+ to BB- and increased Ireland's rating from A- to A. Moody's decreased Croatia's rating from BA1 to BA2 and increased Ireland's rating from BAA1 to A3. These rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

Selected European credit risk exposures

	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory [2]		Total credit risk exposure	
December 31, 2016		CDS	Other [1]			Net synthetic inventory [3]	Gross	Net
Croatia (EUR million)								
Sovereign	190	0	168	22	0	(67)	190	22
Corporates & other	50	0	0	50	0	0	50	50
Total	**240**	**0**	**168**	**72**	**0**	**(67)**	**240**	**72**
Cyprus (EUR million)								
Sovereign	0	0	0	0	4	0	4	4
Financial institutions	61	0	61	0	0	0	61	0
Corporates & other	1,017	0	1,016	1	0	0	1,017	1
Total	**1,078**	**0**	**1,077**	**1**	**4**	**0**	**1,082**	**5**
Greece (EUR million)								
Financial institutions	198	0	197	1	0	0	198	1
Corporates & other	1,140	0	1,117	23	2	(1)	1,142	25
Total	**1,338**	**0**	**1,314**	**24**	**2**	**(1)**	**1,340**	**26**
Ireland (EUR million)								
Sovereign	33	0	0	33	0	(5)	33	33
Financial institutions	1,154	0	494	660	117	(43)	1,271	777
Corporates & other	1,062	117	608	337	20	(104)	1,082	357
Total	**2,249**	**117**	**1,102**	**1,030**	**137**	**(152)**	**2,386**	**1,167**
Italy (EUR million)								
Sovereign	2,644	2,087	173	384	0	(1,478)	2,644	384
Financial institutions	1,095	52	626	417	67	49	1,162	484
Corporates & other	2,956	65	2,490	401	60	(48)	3,016	461
Total	**6,695**	**2,204**	**3,289**	**1,202**	**127**	**(1,477)**	**6,822**	**1,329**
Malta (EUR million)								
Financial institutions	42	0	0	42	0	0	42	42
Corporates & other	547	0	546	1	0	0	547	1
Total	**589**	**0**	**546**	**43**	**0**	**0**	**589**	**43**
Portugal (EUR million)								
Sovereign	0	0	0	0	68	64	68	68
Financial institutions	328	0	320	8	1	(14)	329	9
Corporates & other	204	0	121	83	33	19	237	116
Total	**532**	**0**	**441**	**91**	**102**	**69**	**634**	**193**
Spain (EUR million)								
Sovereign	20	0	0	20	0	(16)	20	20
Financial institutions	1,614	10	933	671	10	(96)	1,624	681
Corporates & other	1,563	10	1,287	266	34	(68)	1,597	300
Total	**3,197**	**20**	**2,220**	**957**	**44**	**(180)**	**3,241**	**1,001**
Total (EUR million)								
Sovereign	2,887	2,087	341	459	72	(1,502)	2,959	531
Financial institutions	4,492	62	2,631	1,799	195	(104)	4,687	1,994
Corporates & other	8,539	192	7,185	1,162	149	(202)	8,688	1,311
Total	**15,918**	**2,341**	**10,157**	**3,420**	**416**	**(1,808)**	**16,334**	**3,836**

1 Includes other hedges (derivative instruments), guarantees, insurance and collateral.
2 Represents long inventory positions netted at issuer level.
3 Substantially all of which results from CDS; represents long positions net of short positions.

BOARD OF DIRECTORS

Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 13 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. Board members are elected at the AGM by our shareholders individually for a period of one year and are eligible for re-election. Shareholders will also elect a member of the Board as the Chairman and each of the members of the Compensation Committee for a period of one year. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Members of the Board shall generally retire after having served on the Board for 12 years. Under certain circumstances, the Board may extend the limit of terms of office for a particular Board member for a maximum of three additional years.

An overview of the Board and the committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

Members of the Board and Board committees

	Board member since	Independence	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
December 31, 2016						
Urs Rohner, Chairman	2009	Independent	Chairman	–	–	–
Jassim Bin Hamad J.J. Al Thani	2010	Not independent	–	–	–	–
Iris Bohnet	2012	Independent	–	–	Member	–
Noreen Doyle, Vice-Chair, Lead Independent Director	2004	Independent	Member	–	–	Member
Alexander Gut	2016	Independent	–	Member	–	–
Andreas N. Koopman	2009	Independent	–	–	Member	Member
Jean Lanier	2005	Independent	Member	–	Chairman	–
Seraina (Maag) Macia	2015	Independent	–	Member	–	–
Kai S. Nargolwala	2013	Independent	–	–	Member	Member
Joaquin J. Ribeiro	2016	Independent	–	Member	–	–
Severin Schwan	2014	Independent	–	–	–	Member
Richard E. Thornburgh, Vice-Chair	2006	Independent	Member	Member	–	Chairman
John Tiner	2009	Independent	Member	Chairman	–	Member

Board changes

At the 2016 AGM, Alexander Gut and Joaquin J. Ribeiro were elected as new members of the Board and Sebastian Thrun stepped down from the Board. Mr. Thrun continues to advise the Group on innovation and technology matters. The Board proposes Andreas Gottschling and Alexandre Zeller for election as new non-executive Board members at the AGM on April 28, 2017. Mr. Gottschling was previously a member of the management board and chief risk officer (CRO) of Erste Group Bank AG in Vienna. Mr. Zeller was previously chairman of the board of directors of SIX Group AG and joined the board of directors of the Swiss legal entity Credit Suisse (Schweiz) AG and was appointed chairman with effect from October 1, 2016. Noreen Doyle and Jean Lanier, after reaching the respective tenure limits, and Jassim bin Hamad J.J. Al Thani, will not stand for re-election. The Board proposes that all other current members of the Board be re-elected to the Board, proposes the re-election of Urs Rohner as Chairman and proposes Iris Bohnet, Andreas N. Koopmann, Kai S. Nargolwala and Alexandre Zeller as members of the Compensation Committee.

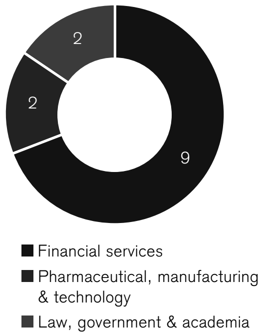
Board composition and succession planning

The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria as set forth by the OGR. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Chairman's and Governance Committee takes into account independence, diversity, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group.

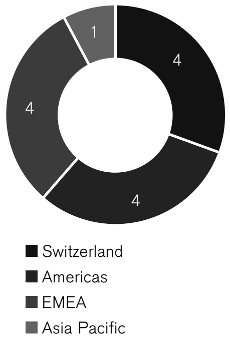
▸ Refer to "Mandates" for further information.

Board composition

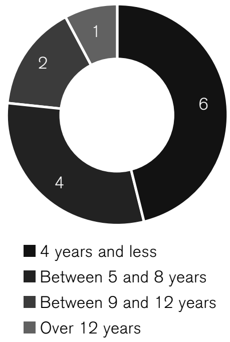
Industry experience



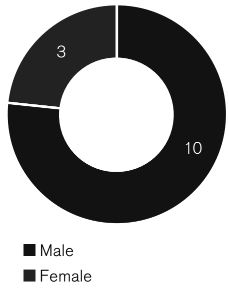
Geographical focus[1]



Length of tenure



Gender diversity



[1] Geographical focus represents the region in which the Board member has mostly focused his or her professional activities and may differ from the nationality of that individual.

The background, skills and experience of our Board members are diverse and broad and include holding or having held top management positions at financial services and industrial companies in Switzerland and abroad, as well as leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure and the necessary expertise in key areas such as financial management, audit, risk management, legal and regulatory affairs, human resources and incentive structures. Gender diversity is an important aspect of Board composition. While the ratio of female-to-male Board members may vary in any given year, the Board is committed to maintaining a good gender balance over the long term.

To maintain a high degree of expertise, diversity and independence in the future, the Board has a succession planning process in place to identify potential candidates for the Board at an early stage. With this process, we are well prepared when Board members rotate off the Board. Besides more formal criteria, consistent with legal and regulatory requirements and the Swiss Code of Best Practice for Corporate Governance, we believe that other aspects, including team dynamics and personal reputation of Board members, play a critical role in ensuring the effective functioning of the Board. This is why the Group places the utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

While the Board is continually engaged in considering potential candidates throughout the year, succession planning for the next year is typically kicked off at the Board's annual strategy offsite, which is held mid-year. In addition to its discussions of the Group's strategy, the Board holds a dedicated session on corporate governance, at which, among other topics, current Board composition and future needs are discussed, including the needs for suitable Board committee composition. Based on the outcome of these discussions, the interest and availability of certain candidates will be explored further. The Board's discussions will continue at its annual self-assessment session, which usually takes place at year-end, and it will consider specific changes in Board composition to be proposed at the next AGM. The Board will ultimately approve candidates to be nominated as new Board members for election at the AGM at its February or March meetings, shortly before the publication of this report.

New members and continuing training

Any newly appointed member is required to participate in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters relating to the governance of the Group. The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask specialists within the Group to speak about specific topics in order to enhance the Board members' understanding of issues that already are, or may become, of particular importance to our business.

Meetings

In 2016, the Board held six meetings in person and ten additional meetings. In addition, the Board held a two and a half-day strategy session.

All members of the Board are expected to spend the necessary time outside of these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management present. Minutes are kept of the proceedings and resolutions of the Board.

From time to time, the Board may take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

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

Meeting attendance

	Board of Directors [1]	Chairman's and Governance Committee [2]	Audit Committee [3]	Compensation Committee [4]	Risk Committee [5]
in 2016					
Total number of meetings held	16	13	16	10	7
Number of members who missed no meetings	5	3	3	4	4
Number of members who missed one meeting	5	1	3	0	1
Number of members who missed two or more meetings	4	1	0	0	2
Meeting attendance, in %	91	95	92	100	86

1 The Board consisted of 12 and 13 members at the beginning of the year and the end of the year, respectively, with 2 members joining the Board and 1 member leaving the Board as of the 2016 AGM.
2 The Chairman's and Governance Committee consisted of five members at the beginning and the end of the year. Meeting attendance was approximated in this case, due to some meetings of the Chairman's and Governance Committee being called on an ad hoc basis, for which no attendance was taken.
3 The Audit Committee consisted of four members at the beginning of the year and five members at the end of the year.
4 The Compensation Committee consisted of four members at the beginning and the end of the year.
5 The Risk Committee consisted of six members at the beginning and the end of the year.

Mandates
Our Board members and Executive Board members may assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. The Compensation Ordinance sets out that companies must include provisions in their articles of association to define the activities that fall within the scope of a mandate and set limits on the number of mandates that board members and executive management may hold. According to the Group's AoA, mandates include activities in the most senior executive and management bodies of listed companies and all other legal entities that are obliged to obtain an entry in the Swiss commercial register or a corresponding foreign register.

Board mandates are limited as follows:
- Each member of the Board may assume no more than four other mandates in listed companies; and
- Each member of the Board may assume no more than five mandates in other legal entities, including private non-listed companies.

Executive Board mandates are limited as follows:
- Each member of the Executive Board may assume no more than one other mandate in a listed company; and
- Each member of the Executive Board may assume no more than two other mandates in other legal entities.

The following mandates are exempt from this restriction:
- mandates in legal entities controlled by the Group, such as subsidiary boards;
- mandates in legal entities that are exercised on behalf of the Group, such as business and industry associations; and
- honorary mandates in charitable legal entities.

Board and Executive Board members are each permitted to exercise a maximum of ten mandates on behalf of the Group and a maximum of ten honorary mandates in cultural, educational or charitable legal entities.

No Board or Executive Board member holds mandates in excess of the restrictions described above.

▸ Refer to "Audit Committee" in Board committees for further information on limits on Audit Committee service.

Independence
The Board consists solely of non-executive directors within the Group, of which at least the majority must be determined to be independent. In its independence determination, the Board takes into account the factors set forth in the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance, FINMA and the rules of the NYSE and the Nasdaq Stock Market (Nasdaq) in determining the definition of independence. In general, a director is considered independent if the director:
- is not, and has not been for the prior three years, employed as an executive officer or in another function at the Group or any of its subsidiaries;
- is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and
- does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:

- the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
- the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;
- whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
- whether the transactions are performed in the ordinary course of business; and
- whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital. Board members with immediate family members who would not qualify as independent are also not considered independent.

Board members serving on the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees.

For Board members serving on the Compensation Committee, the independence determination considers all factors relevant to determining whether a director has a relationship with the Group that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:

- the source of any compensation of the Compensation Committee member, including any consulting, advisory or other compensatory fees paid by the Group to such director; and
- whether the Compensation Committee member is affiliated with the Group, any of its subsidiaries or any affiliates of any of its subsidiaries.

While the Group is not subject to such standards, the Board acknowledges that some proxy advisors apply different standards for assessing the independence of our Board members, including the length of tenure a Board member has served, the full-time status of a Board Member, annual compensation levels of Board members within a comparable range to executive pay or a Board member's former executive status for periods further back than the preceding three years.

Independence determination

As of December 31, 2016, 12 members of the Board were determined by the Board to be independent.

At the time of his election to the Board in 2010, Mr. Bin Hamad J.J. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined that these various business relationships could constitute a material business relationship.

Board leadership

Chairman of the Board

The Chairman is a non-executive member of the Board, in accordance with Swiss banking law, and performs his role on a full-time basis, in line with the practice expected by FINMA, our main regulator. The Chairman:

- coordinates the work within the Board;
- works with the committee chairmen to coordinate the tasks of the committees;
- ensures that the Board members are provided with the information relevant for performing their duties;
- drives the Board agenda;
- drives key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, corporate governance, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board;
- chairs the Board, the Chairman's and Governance Committee and the Shareholder Meetings;
- takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other external stakeholders;
- has no executive function within the Group;
- with the exception of the Chairman's and Governance Committee, is not a member of any of the Board's standing committees; and
- may attend all or parts of selected committee meetings as a guest without voting power.

Vice-Chair

The Vice-Chair:

- is a member of the Board;
- is a designated deputy to the Chairman; and
- assists the Chairman by providing support and advice to the Chairman, assuming the Chairman's role in the event of the Chairman's absence or indisposition and leading the Board accordingly.

There may be one or more Vice-Chairs. Noreen Doyle and Richard E. Thornburgh currently serve as Vice-Chairs.

Lead Independent Director
According to the Group's OGR, the Board may appoint a Lead Independent Director. If the Chairman is determined not to be independent by the Board, the Board must appoint a Lead Independent Director. The Lead Independent Director:
- may convene meetings without the Chairman being present;
- takes a leading role among the Board members, particularly when issues between a non-independent Chairman and the independent Board members arise (for example, when the non-independent Chairman has a conflict of interest);
- leads the Board's annual assessment of the Chairman; and
- ensures that the work of the Board and Board-related processes continue to run smoothly.

Noreen Doyle currently serves as the Lead Independent Director. As Noreen Doyle will not be standing for re-election at the 2017 AGM, the Board will appoint a new Lead Independent Director.

Segregation of duties
In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman (non-executive) and the CEO (executive) are separate and carried out by two different people.

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

With responsibility for the overall direction, supervision and control of the company, the Board:
- regularly assesses our competitive position and approves our strategic and financial plans;
- receives a status report at each ordinary meeting on our financial results, capital, funding and liquidity situation;
- receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios;
- is provided by management with regular updates on key issues and significant events, as deemed appropriate or requested;
- has access to all information concerning the Group in order to appropriately discharge its responsibilities;
- reviews and approves significant changes in our structure and organization;
- is actively involved in significant projects including acquisitions, divestitures, investments and other major projects; and
- along with its committees, is entitled, without consulting with management and at the Group's expense, to engage external legal, financial or other advisors, as it deems appropriate, with respect to any matters within its authority.

Governance of Group subsidiaries
The Board assumes oversight responsibility for establishing appropriate governance for Group subsidiaries. The governance of the Group is based on the principles of an integrated oversight and management structure with global scope, which enables management of the Group as one economic unit. The Group sets corporate governance standards to ensure the efficient and harmonized steering of the Group. In accordance with the OGR, the Board appoints or dismisses the chairperson and the members of the board of directors of the major subsidiaries of the Group and approves their compensation. A policy naming the subsidiaries in scope and providing guidelines for the nomination and compensation process is periodically reviewed by the Board. The governance of the major subsidiaries, subject to compliance with all applicable local laws and regulations, should be consistent with the corporate governance principles of the Group, as reflected in the OGR and other corporate governance documents. Directors and officers of the Group and its major subsidiaries are committed to ensuring transparency and collaboration throughout the Group.

Board evaluation
The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board's objectives and determines future objectives, including any special focus objectives for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process. Toward the end of 2016, the Board mandated an external firm to perform an evaluation of the Board, which will be conducted during the first quarter of 2017.

Board – 2016 activities

During 2016, the Board focused on a number of key areas, including but not limited to the activities described below. Specifically, the Board:

- supervised the Group's strategy implementation, with particular focus on the oversight of the accelerated restructuring of Global Markets and the growth of our operations in Asia;
- partnered with management to identify measures which foster a corporate culture based on honesty and integrity across the Group, including the establishment of the new CEB as well as local corporate culture programs at the subsidiary company level;
- focused on corporate governance at the Group's major subsidiaries, which included overseeing the set-up of Credit Suisse (Schweiz) AG, supervising the formation of the board of directors for Credit Suisse Holdings (USA) Inc., and implementing measures to ensure a coordinated approach to corporate governance across the Group, including defining a robust framework for issue escalation and information sharing between the Group and its major subsidiaries;
- established a board leadership event, involving all Group and major subsidiary board members;
- maintained Board-level focus on innovation and technology, dedicating a major part of the Board's annual strategy workshop to the topics of digitization and technology in banking, which included onsite visits to innovative technology companies and discussions with entrepreneurs in the field;
- continued to review the effectiveness of our cybersecurity framework with management through dedicated reviews of our digital security capabilities aimed at preventing cybercrime and by engaging with a leading cybersecurity expert;
- worked closely with management during the settlement proceedings with the DOJ regarding our legacy RMBS business and ultimately approved the terms and conditions of the final settlement, successfully resolving this significant legacy litigation issue; and
- continued to monitor ongoing legal, compliance and regulatory developments, with particular focus on capital and liquidity requirements.

BOARD COMMITTEES

The Board has four standing committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. Except for the Compensation Committee members who are elected by the shareholders on an annual basis, the committee members are appointed by the Board for a term of one year.

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

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

Chairman's and Governance Committee

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairs and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee currently consists of five members, all of whom are independent.

The Chairman's and Governance Committee generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance Committee:

- acts as an advisor to the Chairman and supports him in the preparation of the Board meetings;
- is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval;
- at least once annually, evaluates the independence of the Board members and reports its findings to the Board for final determination;
- is responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations;
- guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board;
- proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board; and
- reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

Chairman's and Governance Committee – 2016 activities

During 2016, the Chairman's and Governance Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Chairman's and Governance Committee:

- focused on supporting the CEO in continuing to deliver on the three-year strategic plan announced in October 2015;
- endorsed the appointment of a new Head of Global Markets by the Board in September 2016;
- supported the Chairman in setting the priorities for the Board's annual strategy workshop in 2016, which was focused on innovation and digitalization in banking;
- provided guidance for the annual performance assessment of the Chairman and the CEO;
- advised on the nominations of Alexandre Zeller and Peter Derendinger as non-executive directors of the new Swiss subsidiary Credit Suisse (Schweiz) AG;
- assessed potential new Board Member candidates during 2016 and recommended that Alexandre Zeller and Andreas Gottschling be proposed as new Board members for election at the 2017 AGM; and
- participated in a simulation event with management designed to test the Group's recovery and resolution plans, in line with regulatory expectations.

Audit Committee

The Audit Committee consists of at least three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee currently consists of five members, all of whom are independent.

The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

Furthermore, the US Securities and Exchange Commission (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;
- monitoring the adequacy of the management of operational risks jointly with the Risk Committee, including assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis.

Audit Committee – 2016 activities

During 2016, the Audit Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Audit Committee:

- performed its regular review of the quarterly and annual financial results and related accounting, reporting and internal control matters;
- maintained a focus on compliance topics through briefings at every regular meeting by the Chief Compliance and Regulatory Affairs Officer on key compliance risks and associated internal controls, as well as dedicated sessions on specific topics, such as know-your-customer and anti-money laundering requirements, market conduct and global client tax compliance programs;
- conducted a review of the Group's whistleblowing policy and reporting framework, including industry views on best practice;
- held several reviews of the Strategic Resolution Unit, including a review of the principles, governance and controls of business positions transferred into the Strategic Resolution Unit and the Strategic Resolution Unit portfolio status prior to and after the accelerated restructuring of the Global Markets business;
- examined, jointly with the Risk Committee, the circumstances which led to the mark-to-market losses reported in our distressed trading portfolio for the fourth quarter of 2015 and the first quarter of 2016 and commissioned Internal Audit to perform a special review;
- reviewed our approach to conduct risk, jointly with the Risk Committee, in particular for the Asia Pacific division and with respect to emerging regulatory requirements;
- received regular updates by the Head of Internal Audit on key audit findings and held a dedicated workshop with the Internal Audit senior leadership team in order to engage with Internal Audit in a more in-depth manner about their risk assessments for the organization and emerging risk and control themes; and
- appointed a new Head of Internal Audit, Rafael Lopez Lorenzo, in the fourth quarter of 2016, due to the retirement of the existing Head of Internal Audit at the end of 2016.

Internal Audit

Our Internal Audit function comprises a team of around 350 professionals, substantially all of whom are directly involved in auditing activities. The Head of Internal Audit reports directly to the Audit Committee chairman and the Audit Committee oversees the activities of the Internal Audit function.

Internal Audit performs an independent and objective assurance function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Charter for Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining key risk themes and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee chairman. The Head of Internal Audit reports to the Audit Committee at least quarterly and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

The Audit Committee annually assesses the performance and effectiveness of the Internal Audit function. For 2016, the Audit Committee concluded that the Internal Audit function was effective.

External Audit

The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services.

‣ Refer to "External audit" below for further information.

Compensation Committee

The Compensation Committee consists of at least three members of the Board, all of whom must be independent. Our Compensation Committee currently consists of four members, all of whom are independent.

Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The meetings are attended by management representatives, as appropriate.

The Compensation Committee's duties and responsibilities include:

- reviewing the Group's compensation policy;
- establishing new compensation plans or amending existing plans and recommending them to the Board for approval;
- reviewing the performance of the businesses and the respective management teams and determining and/or recommending to the Board for approval the overall variable compensation pools;
- proposing individual compensation for the Board members to the Board;
- recommending to the Board a proposal for the CEO's compensation;
- based on proposals by the CEO, discussing and recommending to the Board the Executive Board members' compensation; and
- reviewing and recommending to the Board the compensation for individuals being considered for an Executive Board position.

In accordance with the Compensation Ordinance, all compensation proposals for members of the Board and the Executive Board are subject to AGM approval.

The Compensation Committee is authorized to retain outside advisors, at the Group's expense, for the purpose of providing guidance to the Compensation Committee as it carries out its responsibilities. Prior to their appointment, the Compensation Committee conducts an independence assessment of the advisors pursuant to the rules of the SEC and the listing standards of the NYSE and Nasdaq.

▸ Refer to "Compensation Committee" in Compensation – Group compensation for information on our compensation approach, principles and objectives and outside advisors.

Compensation Committee – 2016 activities

During 2016, the Compensation Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Compensation Committee:

- oversaw the implementation of the new compensation model for the Executive Board members as communicated in the 2015 Compensation Report, including reviewing the delivery and amount of compensation for Executive Board members in light of the Group's performance, market pay and practices and feedback from shareholders and proxy advisors;
- reviewed and refined the performance metrics for the 2017 Executive Board Long Term Incentive (LTI) awards, reflecting shareholder feedback;
- assessed the Group's performance and determined the compensation pools, including reviewing competitor benchmarking information for the investment banking businesses and approval of a special retention program for those businesses in 2016;
- reviewed the approach to compensation and market practices for the asset management businesses;
- reviewed input from the Group's control functions relevant to the compensation process under the enhanced compensation and risk framework, in line with regulatory guidance;
- reviewed the disciplinary process, including the governance of the new Conduct and Ethics Boards, and its link to performance assessment and compensation determination, as well as the application of malus provisions;
- reviewed the fee levels for members of the Board, in particular for members of the Group's subsidiary boards, taking into account feedback from shareholders and proxy advisors; and
- continued to monitor global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance.

Risk Committee
The Risk Committee consists of at least three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee currently consists of six members, all of whom are independent.

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

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of our risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits. The main duties and responsibilities of the Risk Committee include:

- reviewing and assessing the integrity and adequacy of the risk management function of the Group, in particular as it relates to market, credit and liquidity and funding risks;
- reviewing the adequacy of the Group's capital and its allocation to the Group's businesses;
- reviewing certain risk limits and regular risk reports and making recommendations to the Board;
- reviewing and assessing the Group's risk appetite framework;
- reviewing and assessing the adequacy of the Group's management of reputational risks, jointly with the Audit Committee;
- reviewing and assessing the adequacy of the Group's management of operational risks, including the adequacy of the Group's internal control system, jointly with the Audit Committee; and
- reviewing the Group's policy in respect of corporate responsibility and sustainable development.

The Risk Committee is regularly informed about major initiatives aimed at responding to regulatory change and further improving risk management across the Group, including organizational changes, changes to risk measurement methods and upgrades to risk systems infrastructure.

Risk Committee – 2016 activities

During 2016, the Risk Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Risk Committee:

- maintained its focus on supporting the Board in reviewing strategically important topics, including capital adequacy and the allocation of capital to major legal entities and businesses of the Group;
- reviewed the financial plan and endorsed risk appetite and limit requests for 2017;
- regularly monitored the risk profile and limits for a number of businesses, reviewed risk concentrations and limit breaches;
- oversaw the Group's responses to key risk developments, including in relation to cybersecurity, the outcome of the UK referendum on continued EU membership and Brazil;
- reviewed changes being implemented in the Group's legal entity structure, including funding plans for subsidiaries and, jointly with the Audit Committee, the status of the supporting technology and operations infrastructure;
- examined, jointly with the Audit Committee, the circumstances which led to the mark-to-market losses reported in our distressed trading portfolio for the fourth quarter of 2015 and the first quarter of 2016;
- conducted focused risk reviews for a number of different businesses and risk management areas, including credit, market and operational risk, model risk and conduct risk;
- closely monitored developments with respect to the Group's risk framework, including several reviews of the economic risk capital methodology and the stress testing framework;
- regularly reviewed the risk management function including processes and organizational structures;
- received regular updates from the CRO change function on the key change programs, including complying with the Basel Committee on Banking Supervision 239 – Principles for effective risk data aggregation and risk reporting; and
- oversaw various regulatory change programs being implemented in line with regulatory expectations.

Innovation & Technology Committee
The Board established an Innovation & Technology Committee as an interdisciplinary advisory group in 2015. The group acts as a senior platform to discuss internal progress in relation to innovation and technology initiatives, as well as relevant industry-wide technology trends. As of April 2016, Sebastian Thrun continued as the Innovation & Technology Committee's chair in his new capacity as senior advisor. Participation in the Innovation & Technology Committee includes Board members, members of management, internal technology experts and a senior cybersecurity advisor. In 2016, the committee addressed a number of key digital initiatives across several divisions, as well as the Group's cybersecurity framework and IT-related innovation projects. It further examined some of the most recent industry developments in the field of technology-driven innovation.

BIOGRAPHIES OF THE BOARD MEMBERS

Urs Rohner
Born 1959
Swiss Citizen

Board member since 2009

Chairman of the Board

Professional history

2004–present	Credit Suisse
	Chairman of the Board and the Chairman's and Governance Committee (2011–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2015–present)
	Vice-Chair of the Board and member of the Chairman's and Governance Committee (2009–2011)
	Member of the Risk Committee (2009–2011)
	Chief Operating Officer (2006–2009)
	General Counsel (2004–2009)
	Member of the Executive Board (2004–2009)
2000–2004	ProSiebenSat.1 Media AG, Chairman of the Executive Board and CEO
1983–1999	Lenz & Staehelin
	Partner (1992–1999)
	Attorney (1983–1988; 1990–1992)
1988–1989	Sullivan & Cromwell LLP, New York, attorney

Education

1990	Admission to the bar of the State of New York
1986	Admission to the bar of the Canton of Zurich
1983	Master in Law (lic.iur.), University of Zurich, Switzerland

Other activities and functions

GlaxoSmithKline plc, board member
Swiss Bankers Association, vice-chairman
Swiss Finance Council, board member
Institute of International Finance, board member
European Banking Group, member
European Financial Services Roundtable, member
University of Zurich Department of Economics, chairman of the advisory board
Lucerne Festival, board of trustees member

Jassim Bin Hamad J.J. Al Thani
Born 1982
Qatari Citizen

Board member since 2010

Professional history

2010–present	Credit Suisse
	Member of the Board
2004–present	Qatar Islamic Bank
	Chairman of the board (2005–present)
	Member of the board (2004–present)
1998–present	Al Mirqab Capital LLC
	CEO (2007–present)
	Member of senior management (1998–2007)

Education

1998	Graduated as an Officer Cadet from the Royal Military Academy in England

Other activities and functions

Damaan Islamic Insurance Co. (BEEMA), chairman
QInvest, chairman
Qatar Insurance Company, board member
Qatar Navigation (Milaha), board member

Iris Bohnet
Born 1966
Swiss Citizen

Board member since 2012

Professional history

2012–present	Credit Suisse
	Member of the Compensation Committee (2012–present)
1998–present	Harvard Kennedy School
	Director of the Women and Public Policy Program (2008–present)
	Professor of public policy (2006–present)
	Academic dean (2011–2014)
	Associate professor of public policy (2003–2006)
	Assistant professor of public policy (1998–2003)
1997–1998	Haas School of Business, University of California at Berkeley, visiting scholar

Education

1997	Doctorate in Economics, University of Zurich, Switzerland
1992	Master's degree in Economic History, Economics and Political Science, University of Zurich, Switzerland

Other activities and functions

Applied, board member
Global Future Council on Behavioral Science, World Economic Forum (WEF), co-chair
Economic Dividends for Gender Equality (EDGE), advisory board member
Decision Making and Negotiations Journal, advisory board member

Noreen Doyle
Born 1949
Irish and US Citizen

Board member since 2004

Vice-Chair of the Board
Lead Independent Director

Professional history

2004–present	Credit Suisse
	Vice-Chair and Lead Independent Director of the Board (2014–present)
	Member of the Chairman's and Governance Committee (2014–present)
	Member of the Risk Committee (2016–present; 2009–2014; 2004–2007)
	Member of the board of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries, 2011–present); chair of the boards (2013–present)
	Member of the Audit Committee (2014–2016; 2007–2009)
1992–2005	European Bank for Reconstruction and Development (EBRD)
	First vice president and head of banking (2001–2005)
	Deputy vice president finance and director of risk management (1997–2001)
	Chief credit officer and director of syndications (1994–1997)
	Head of syndications (1992–1994)
Prior to 1992	Bankers Trust Company, Houston, New York and London
	Managing director, European Structured Sales (1990–1992)
	Various positions at management level

Education

1974	MBA in Finance, Tuck at Dartmouth College, New Hampshire
1971	BA in Mathematics, The College of Mount Saint Vincent, New York

Other activities and functions

Newmont Mining Corporation, chair
British Bankers' Association (BBA), chair
UK Panel on Takeovers and Mergers, member
Tuck European Advisory Board, member
Marymount International School, London, chair of the board of governors
Sarita Kenedy East Foundation, trustee

Alexander Gut
Born 1963
Swiss and British Citizen

Board member since 2016

Professional history

2016–present	Credit Suisse
	Member of the Audit Committee (2016–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) and chair of the Audit Committee (2016–present)
2007–present	Gut Corporate Finance AG, managing partner
2003–2007	KPMG Switzerland
	Member of the Executive Committee, Switzerland
	Head of Audit Financial Services, Switzerland
	Partner and Head of Audit Financial Services, Zurich
2001–2003	Ernst & Young, partner of the Transaction Advisory Services practice
1991–2001	KPMG Switzerland
	Senior Manager, Audit Financial Services
	Senior Manager, Banking Audit
	Banking auditor

Education

1996	Swiss Certified Accountant, Swiss Institute of Certified Accountants and Tax Consultants
1995	Doctorate in Business Administration, University of Zurich
1990	Masters degree in Business Administration, University of Zurich

Other activities and functions

LafargeHolcim Ltd, board member
Adecco Group Ltd., board member and chairman of the nomination and compensation committee
SIHAG Swiss Industrial Holding Ltd, board member

Andreas N. Koopmann
Born 1951
Swiss and French Citizen

Board member since 2009

Professional history

2009–present	Credit Suisse
	Member of the Compensation Committee (2013–present)
	Member of the Risk Committee (2009–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2015–present)
1982–2009	Bobst Group S.A., Lausanne
	Group CEO (1995–2009)
	Member of the board (1998–2002)
	Executive Vice President (1994–1995)
	Member of the Group Executive Committee, head of manufacturing (1991–1994)
	Management positions in engineering and manufacturing (1982–1991)
Prior to 1982	Bruno Piatti AG and Motor Columbus AG, various positions

Education

1978	MBA, International Institute for Management Development, Switzerland
1976	Master's degree in Mechanical Engineering, Swiss Federal Institute of Technology, Switzerland

Other activities and functions

Nestlé SA, board member and vice-chairman
Georg Fischer AG, chairman of the board
CSD Group, board member
Sonceboz SA, board member
Swiss Board Institute, member of the board of trustees
Economiesuisse, board member
EPFL, Lausanne, Switzerland, strategic advisory board member
EPFL+ Foundation, member of the board of trustees

Jean Lanier
Born 1946
French Citizen

Board member since 2005

Professional history

2005–present	Credit Suisse
	Chairman of the Compensation Committee (2013–present)
	Member of the Chairman's and Governance Committee (2013–present)
	Member of the Compensation Committee (2011–present)
	Member of the Audit Committee (2005–2015)
1990–2004	Euler Hermes Group, Paris
	Chairman of the managing board and group CEO (1998–2004)
	Chairman of the boards of principal subsidiaries (1998–2004)
	Managing director of Euler Group (1997–1998)
	COO and managing director of SFAC (subsequently Euler Hermes SFAC) (1990–1997)
Prior to 1990	Pargesa Group, Paris and Geneva, managing director
	Lambert Brussells Capital Corporation, New York, president
	Paribas Group, various positions, among others: senior vice president of the finance division and senior executive for North America

Education

1970	Master of Science in Operations Research and Finance, Cornell University, New York
1969	Master's degree in Engineering, Ecole Centrale des Arts et Manufactures, Paris

Other activities and functions

Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA (subsidiaries of Swiss Re AG), chairman of the board
Fondation Internationale de l'Arche, chairman of the board
L'Arche Long Island, chairman of the board
Association Jean Vanier, board member

Seraina (Maag) Macia
Born 1968
Swiss and Australian Citizen

Board member since 2015

Professional history

2015–present	Credit Suisse
	Member of the Audit Committee (2015–present)
2016–present	Hamilton Insurance Group
	CEO Hamilton USA (2016–present)
2013–2016	AIG Corporation
	Executive vice-president and CEO Regional Management & Operations of AIG, New York (2015–2016)
	CEO and President of AIG EMEA, London (2013–2016)
2010–2013	XL Insurance North America, chief executive
2002–2010	Zurich Financial Services
	President Specialties Business Unit, Zurich North America Commercial, New York (2007–2010)
	CFO, Zurich North America Commercial, New York (2006–2007)
	Various positions, among others: head of the joint investor relations and rating agencies management departments; head of rating agencies management; senior investor relations officer (2002–2008)
2000–2002	NZB Neue Zuercher Bank, founding partner and financial analyst
1990–2000	Swiss Re
	Rating agency coordinator, Swiss Re Group (2000)
	Senior underwriter and deputy head of financial products (1996–1999)
	Various senior positions in Zurich and Melbourne (1990–1996)

Education

2001	Chartered Financial Analyst (CFA), CFA Institute, US
1999	MBA, Monash Mt Eliza Business School, Australia
1997	Post-graduate certificate in Management, Deakin University, Australia

Other activities and functions

Association of Professional Insurance Women, member
CFA Institute, member
Food Bank for New York City, board member

Kai S. Nargolwala
Born 1950
Singaporean Citizen

Board member since 2013

Professional history

2008–present	Credit Suisse
	Member of the Compensation Committee (2014–present)
	Member of the Risk Committee (2013–present)
	Non-executive chairman of Credit Suisse's Asia-Pacific region (2010–2011)
	Member of the Executive Board (2008–2010)
	CEO of Credit Suisse Asia Pacific region (2008–2010)
1998–2007	Standard Chartered plc, main board executive director
Prior to 1998	Bank of America
	Group executive vice president and head of Asia Wholesale Banking group in Hong Kong (1990–1995)
	Head of High Technology Industry group in San Francisco and New York (1984–1990)
	Various management and other positions in the UK (1976–1984)
	Peat Marwick Mitchell & Co., London, accountant (1970–1976)

Education

1974	Fellow of the Institute of Chartered Accountants (FCA), England and Wales
1969	BA in Economics, University of Delhi

Other activities and functions

Prudential plc, board member
Prudential Corporation Asia Limited, director and non-executive chairman
PSA International Pte. Ltd. Singapore, board member
Clifford Capital Pte. Ltd., director and non-executive chairman
Casino Regulatory Authority in Singapore, board member
Duke-NUS Graduate Medical School, Singapore, chairman of the governing board
Singapore Institute of Directors, Fellow

Joaquin J. Ribeiro
Born 1956
US Citizen

Board member since 2016

Professional history

2016–present	Credit Suisse
	Member of the Audit Committee (2016–present)
1997–2016	Deloitte LLP (USA)
	Vice chairman (2010–2016)
	Chairman of Global Financial Services Industry practice (2010–2016)
	Head of US Financial Services Industry practice (2003–2010)
	Head of Global Financial Services Industry practice in Asia (1997–2003)
	Head of South East Asian Corporate Restructuring practice (1997–2000)
2005–2010	World Economic Forum, senior advisor to Finance Governor's Committee

Education

1996	Executive Business Certificate, Columbia Business School, New York
1988	MBA in Finance, New York University, New York
1980	Certified Public Accountant, New York
1978	Bachelor degree in Accounting, Pace University, New York

Other activities and functions

Mr. Ribeiro currently does not hold directorships in other organizations.

Severin Schwan
Born 1967
Austrian and German Citizen

Board member since 2014

Professional history

2014–present	Credit Suisse
	Member of the Risk Committee (2014–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2015–present)
1993–present	Roche Group
	CEO (2008–present)
	CEO, Division Roche Diagnostics (2006–2008)
	Head Asia Pacific Region, Roche Diagnostics Singapore (2004–2006)
	Head Global Finance & Services, Roche Diagnostics Basel (2000–2004)
	Various management and other positions with Roche Germany, Belgium and Switzerland (1993–2000)

Education

1993	Doctor of Law, University of Innsbruck, Austria
1991	Master's degrees in Economics and Law, University of Innsbruck, Austria

Other activities and functions

Roche Holding Ltd., board member
International Federation of Pharmaceutical Manufacturers & Associations (IFPMA), vice-president
International Business Leaders Advisory Council for the Mayor of Shanghai, member

Richard E. Thornburgh
Born 1952
US Citizen

Board member since 2006

Vice-Chair of the Board

Professional history

2006–present	Credit Suisse
	Vice-Chair (2014–present)
	Member of the Audit Committee (2011–present)
	Chairman of the Risk Committee (2009–present)
	Member of the Chairman's and Governance Committee (2009–present)
	Member of the Risk Committee (2006–present)
	Member of the board and chair of Credit Suisse Holdings (USA), Inc. and Credit Suisse Securities (USA), LLC (US subsidiaries) (2015–present)
	Member of the board of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2013–2016)
2006–2015	Corsair Capital LLC, New York, vice-chairman
Prior to 2006	Credit Suisse
	Member of the Group Executive Board in various executive roles including Group CRO, Group CFO and CFO Investment Banking (1997–2005)
	Chief financial and administrative officer and member of the executive board of Credit Suisse First Boston (1995–1996)
	Began investment banking career in New York with The First Boston Corporation (predecessor firm of Credit Suisse First Boston)

Education

2009	Honorary Doctorate, Commercial Sciences, University of Cincinnati, Ohio
1976	MBA in Finance, Harvard University, Cambridge, Massachusetts
1974	BBA in Finance, University of Cincinnati, Ohio

Other activities and functions

Corsair Capital LLC, investment committee member
S&P Global Inc., board executive committee member, audit committee member and financial policy committee chair
CapStar Bank, board member
New Star Financial Inc., board member and lead director
St. Xavier High School, trustee and finance committee chair
University of Cincinnati, investment committee member

John Tiner
Born 1957
British Citizen

Board member since 2009

Professional history

2009–present	Credit Suisse
	Chairman of the Audit Committee (2011–present)
	Member of the Chairman's and Governance Committee (2011–present)
	Member of the Risk Committee (2011–present)
	Member of the Audit Committee (2009–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. and Credit Suisse Securities (USA), LLC (US subsidiaries) (2015–present)
2008–2013	Resolution Operations LLP, CEO
2001–2007	Financial Services Authority (FSA)
	CEO (2003–2007)
	Managing director of the investment, insurance and consumer directorate (2001–2003)
Prior to 2001	Arthur Andersen, UK
	Managing partner, UK Business Consulting (1998–2001)
	Managing partner, Worldwide Financial Services practice (1997–2001)
	Head of UK Financial Services practice (1993–1997)
	Partner in banking and capital markets (1988–1997)
	Auditor and consultant, Tansley Witt (later Arthur Andersen UK) (1976–1988)

Education

2010	Honorary Doctor of Letters, Kingston University, London
1980	UK Chartered Accountant, Institute of Chartered Accountants in England and Wales

Other activities and functions

Towergate Insurance, chairman
Tilney, board member
Salcombe Brewery Limited, chairman
The Urology Foundation, chairman

Honorary Chairman of Credit Suisse Group AG
Rainer E. Gut Born 1932, Swiss Citizen
Rainer E. Gut was appointed Honorary Chairman of the Group in 2000 after he retired as Chairman, a position he had held from 1986 to 2000. Mr. Gut was a member of the board of Nestlé SA, Vevey, from 1981 to 2005, where he was vice-chairman from 1991 to 2000 and chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

Secretaries of the Board
Pierre Schreiber
Joan E. Belzer

EXECUTIVE BOARD

Membership

The Executive Board is the most senior management body of the Group. Its members are appointed by the Board. Prior to the appointment of an Executive Board member, the terms and conditions of the individual's employment contract with the Group are reviewed by the Compensation Committee. The Executive Board currently consists of twelve members. In September 2016, we announced the appointment of Brian Chin as the new CEO of Global Markets to succeed Timothy O'Hara. The composition of the Executive Board of the Group and the Bank is identical, with the exception of Thomas Gottstein, who is a member of the Executive Board of the Group, but not the Bank. There were no other changes in the composition of the Executive Board during 2016. The individual members of the Executive Board are listed in the table below.

Members of the Executive Board

	Executive Board member since	Role
December 31, 2016		
Tidjane Thiam, Chief Executive Officer	2015	Group CEO
James L. Amine, CEO Investment Banking & Capital Markets	2014	Divisional Head
Pierre-Olivier Bouée, COO	2015	Corporate Function Head
Romeo Cerutti, General Counsel	2009	Corporate Function Head
Brian Chin, CEO Global Markets [1]	2016	Divisional Head
Peter Goerke, Head of Human Resources, Communications & Branding	2015	Corporate Function Head
Thomas P. Gottstein, CEO Swiss Universal Bank	2015	Divisional Head
Iqbal Khan, CEO International Wealth Management	2015	Divisional Head
David R. Mathers, Chief Financial Officer	2010	Corporate Function Head
Joachim Oechslin, Chief Risk Officer	2014	Corporate Function Head
Helman Sitohang, CEO Asia Pacific	2015	Divisional Head
Lara J. Warner, Chief Compliance and Regulatory Affairs Officer	2015	Corporate Function Head

[1] Appointed on September 7, 2016 as a new Executive Board member with immediate effect.

Responsibilities

The Executive Board is responsible for the day-to-day operational management of the Group under the leadership of the CEO. Its main duties and responsibilities include:

- establishment of the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board;
- regular review and coordination of significant initiatives, projects and business developments in the divisions and the corporate functions, including important risk management matters;
- regular review of the consolidated and divisional financial performance, including progress on KPIs, as well as the Group's capital and liquidity positions and those of its major subsidiaries;
- appointment and dismissal of senior managers, with the exception of managers from Internal Audit, and the periodic review of senior management talent across the Group and talent development programs;
- review and approval of business transactions, including mergers, acquisitions, establishment of joint ventures and establishment of subsidiary companies; and
- approval of key policies for the Group.

Executive Board committees

The Executive Board has several standing committees, which are chaired by an Executive Board member and meet periodically throughout the year and/or as required. These committees are:

- Capital Allocation & Risk Management Committee (CARMC): the CARMC is responsible for supervising and directing our risk profile, recommending risk limits at the Group level to the Risk Committee and the Board, establishing and allocating risk limits among the various businesses, and for developing measures, methodologies and tools to monitor and manage the risk portfolio. CARMC operates in three cycles: the asset & liability management cycle (chaired by the CFO), the market & credit risk cycle (chaired by the CRO) and the internal control systems cycle (jointly chaired by the CRO and the Chief Compliance and Regulatory Affairs Officer (CCRO)).
- Valuation Risk Management Committee (VARMC): the VARMC (chaired by the CFO) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process.
- Risk Process & Standards Committee (RPSC): the RPSC (chaired by the CRO) reviews and approves material changes in major risk management processes and standards, reviews risk management policies and related methodologies and approves the standards of our internal models used for calculating regulatory capital.
- Reputational Risk & Sustainability Committee (RRSC): the RRSC (chaired by the CRO) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues.

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

During 2016, the Executive Board established a Group CEB for the purposes of providing leadership and establishing expectations on conduct and ethics standards and behaviors for our employees. The Group CEB is co-chaired by the CCRO and the Head of Human Resources, Communication and Branding. The Group CEB is responsible for overseeing how conduct and ethics matters are handled within the divisions and ensuring consistency and alignment of practice across divisions. The Group CEB also conducts reviews of employee sanctions and may perform subsequent evaluations for specific matters that have been escalated by the CEBs established for each division and the corporate functions.

Executive Board mandates

Our Executive Board members may, similar to our Board members, assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. According to the Group's AoA, the number of mandates Executive Board members may hold in listed companies and other organizations outside of the Group is subject to certain restrictions, in order to comply with the Compensation Ordinance and to ensure that our Executive Board members dedicate sufficient time to fulfil their executive roles.

No Executive Board member holds mandates in excess of the restrictions as set forth in our AoA.

▸ Refer to "Mandates" in Board of Directors for further information.

BIOGRAPHIES OF THE EXECUTIVE BOARD MEMBERS

Tidjane Thiam
Born 1962
French and Ivorian Citizen

Member since 2015

Chief Executive Officer

Professional history

2015–present	Credit Suisse
	Chief Executive Officer of the Group (2015–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2016–present)
2008–2015	Prudential plc
	Group Chief Executive (2009–2015)
	Chief Financial Officer (2008–2009)
2002–2008	Aviva
	Chief Executive (2006–2008)
	Managing director, International (2004–2006)
	Group strategy & development director (2002–2004)
2000–2002	McKinsey & Co, partner, Paris
1998–1999	Minister of planning and development, Côte d'Ivoire
1994–1998	National Bureau for Technical Studies & Development, Côte d'Ivoire, Chairman and Chief Executive
Prior to 1994	McKinsey & Co, consultant, Paris, London and New York

Education

1988	Master of Business Administration, INSEAD
1986	Advanced Mathematics and Physics, Ecole Nationale Supérieure des Mines de Paris
1984	Ecole Polytechnique, Paris

Other activities and functions

21st Century Fox, board member
Group of Thirty (G30), member
World Economic Forum 2016 in Davos, co-chair

James L. Amine
Born 1959
US Citizen

Member since 2014

CEO Investment Banking & Capital Markets

Professional history

1997–present	Credit Suisse
	CEO Investment Banking & Capital Markets (2015–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. and Credit Suisse Securities (USA) LLC (US subsidiaries) (2014–present)
	Joint Head of Investment Banking, responsible for the Investment Banking Department (2014–2015)
	Head of Investment Banking Department (2012–present)
	Co-Head of Investment Banking Department, responsible for the Americas and Asia Pacific (2010–2012)
	Co-Head of Investment Banking Department, responsible for EMEA and Asia Pacific and Head of Global Market Solutions Group (2008–2010)
	Head of European Global Markets Solutions Group and Co-Head of Global Leveraged Finance (2005–2008)
	Head of European Leveraged Finance (1999–2000; 2003–2005), Co-Head (2000–2003)
	Various functions within High-Yield Capital Markets of Credit Suisse First Boston (1997–1999)
Prior to 1997	Cravath, Swaine & Moore, attorney

Education

1984	JD, Harvard Law School
1981	BA, Brown University

Other activities and functions

New York Cares, board member
Americas Diversity Council, member
Leadership Committee of Lincoln Center Corporate Fund, member
Caramoor Center for Music and the Arts, board member
Harvard Law School, dean's advisory board member
Credit Suisse Americas Foundation, board member

Pierre-Olivier Bouée
Born 1971
French Citizen

Member since 2015

Chief Operating Officer

Professional history

2015–present	Credit Suisse
	Chief Operating Officer (2015–present)
	Chief of Staff (2015)
2008–2015	Prudential plc
	Group Risk Officer (2013–2015)
	Managing director, CEO office (2009–2013)
	Business representative Asia (2008–2013)
2004–2008	Aviva
	Director, Central & Eastern Europe (2006–2008)
	Director, Group strategy (2004–2006)
2000–2004	McKinsey & Company
	Associate principal (2004)
	Engagement manager (2002–2004)
	Associate (2000–2002)
1997–2000	French Government Ministry of Economy and Finance, Treasury Department
	Deputy General Secretary of the Paris Club
	Deputy Head, International Debt office (F1)

Education

1997	Master in Public Administration, Ecole Nationale d'Administration (ENA)
1991	Master in Business and Finance, Hautes Etudes Commerciales (HEC)
1991	Master in Corporate Law, Faculté de Droit Paris XI, Jean Monnet

Other activities and functions

Mr. Bouée currently does not hold directorships in other organizations.

Romeo Cerutti
Born 1962
Swiss and Italian Citizen

Member since 2009

General Counsel

Professional history

2006–present	Credit Suisse
	General Counsel (2009–present)
	Global Co-Head of Compliance (2008–2009)
	General Counsel, Private Banking (2006–2009)
1999–2006	Lombard Odier Darier Hentsch & Cie
	Partner of the Group Holding (2004–2006)
	Head of Corporate Finance (1999–2004)
1995–1999	Homburger Rechtsanwälte, Zurich, attorney-at-law
Prior to 1995	Latham and Watkins, Los Angeles, attorney-at-law

Education

1998	Post-doctorate degree in Law (Habilitation), University of Fribourg
1992	Admission to the bar of the State of California
1992	Master of Law (LLM), University of California, Los Angeles
1990	Doctorate in Law, University of Fribourg
1989	Admission to the bar of the Canton of Zurich
1986	Master in Law (lic.iur.), University of Fribourg

Other activities and functions

Galenica Ltd, board member
Swiss Finance Institute (SFI), board of trustees member
Zurich Chamber of Commerce, board member
Association Friends of the Zurich Art Museum, board member

Brian Chin
Born 1977
US Citizen

Member since 2016

CEO Global Markets

Professional history

2003–present	Credit Suisse
	CEO Global Markets (2016–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. and Credit Suisse Securities (USA) LLC (US subsidiaries) (2016–present)
	Co-Head of Credit Pillar within Global Markets (2015–2016)
	Global Head of Securitized Products and Co-Head of Fixed Income, Americas (2012–2016)
	Other senior positions within Investment Banking (2003–2012)
2000–2003	Deloitte & Touche LLP, senior analyst, Securitization Transaction Team
Prior to 2000	PriceWaterhouseCoopers LLP, Capital Markets Advisory Services
	The United States Attorney's Office, Frauds division

Education

2000	BS in Accounting, Rutgers University

Other activities and functions

Mr. Chin currently does not hold directorships in other organizations.

Peter Goerke
Born 1962
Swiss Citizen

Member since 2015

Head of Human Resources, Communications & Branding

Professional history

2015–present	Credit Suisse
	Head of Human Resources, Communications & Branding
2011–2015	Prudential plc
	Group Human Resources director and member of the Group Executive Committee (2011–2015)
	Chairman of the Group Head Office Management Committee (2012–2015)
	Director of Corporate Property (2012–2015)
2005–2010	Zurich Financial Services, AG, Switzerland
	Group Head of Human Resources and Member of the Group Management Board
2000–2005	Egon Zehnder International, Switzerland
	Head of Global Insurance Practice
1997–2000	McKinsey & Company, Zurich and Chicago
	Senior engagement manager
1989–1996	Abegglen Management Consultants, Switzerland
	Various positions up to partner

Education

2002	Advanced Management Program (AMP), University of Pennsylvania – The Wharton School
1998	lic.oec., University of St. Gallen

Other activities and functions

Mr. Goerke currently does not hold directorships in other organizations.

Thomas P. Gottstein
Born 1964
Swiss Citizen

Member since 2015

CEO Swiss Universal Bank and Credit Suisse (Schweiz) AG

Professional history

1999–present	Credit Suisse
	CEO Credit Suisse (Schweiz) AG (2016-present)
	CEO Swiss Universal Bank (2015–present)
	Member of the Executive Board of Credit Suisse AG (2015-2016)
	Head of Premium Clients Switzerland & Global External Asset Managers (2014–2015)
	Head of Investment Banking Coverage Switzerland (2010–2013)
	Co-Head of Equity Capital Markets EMEA (2007–2009)
	Head Equity Capital Markets Switzerland, Austria and Scandinavia, London (2005–2007)
	Head Equity Capital Markets Switzerland, Zurich (2002–2005)
	Investment Banking Department Switzerland (1999–2002)
Prior to 1999	UBS, Telecoms Investment Banking and Equity Capital Markets

Education

1996	PhD in Finance and Accounting, University of Zurich
1989	Degree in Business Administration and Economics, University of Zurich

Other activities and functions

Opernhaus Zurich, board member
Digitalswitzerland, association member
Credit Suisse Foundation, trustee
Art Committee, Credit Suisse, committee member
Pension Fund CS Group (Schweiz), member of the foundation board and investment committee member
Private Banking Steering Committee of the Swiss Banking Association, member
FINMA Private Banking Panel, member

Iqbal Khan
Born 1976
Swiss Citizen

Member since 2015

CEO International Wealth Management

Professional history

2013–present	Credit Suisse
	CEO International Wealth Management (2015–present)
	CFO Private Banking & Wealth Management (2013–2015)
2001–2013	Ernst & Young, Switzerland
	Managing Partner Assurance and Advisory Services – Financial Services (2011-2013)
	Member of Swiss Management Committee (2011–2013)
	Industry Lead Partner Banking and Capital Markets, Switzerland and EMEA Private Banking (2009-2011)

Education

2012	Advanced Master of International Business Law (LLM), University of Zurich
2004	Certified Financial Analyst
2002	Swiss Certified Public Accountant
1999	Swiss Certified Trustee

Other activities and functions

Mr. Khan currently does not hold directorships in other organizations.

David R. Mathers
Born 1965
British Citizen

Member since 2010

Chief Financial Officer

Professional history

1998–present	Credit Suisse
	Chief Financial Officer (2010–present)
	CEO of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2016–present)
	Head of Strategic Resolution Unit (2015–present)
	Head of IT and Operations (2012–2015)
	Head of Finance and COO of Investment Banking (2007–2010)
	Senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007)
Prior to 1998	HSBC
	Global head of equity research (1997–1998)
	Research analyst, HSBC James Capel (1987–1997)

Education

1991	MA in Natural Sciences, University of Cambridge, England
1987	BA in Natural Sciences, University of Cambridge, England

Other activities and functions

European CFO Network, member

Women in Science & Engineering (WISE) program and academic awards and grants at Robinson College, Cambridge, sponsor

Joachim Oechslin
Born 1970
Swiss Citizen

Member since 2014

Chief Risk Officer

Professional history

2014–present	Credit Suisse
	Chief Risk Officer (2014–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. and Credit Suisse Securities (USA) LLC (US subsidiaries) (2016–present)
2007–2013	Munich Re Group, Chief Risk Officer
2007	AXA Group, deputy Chief Risk Officer
2001–2006	"Winterthur" Swiss Insurance Company
	Member of the executive board (2006)
	Chief Risk Officer (2003–2006)
	Head of risk management (2001–2003)
1998–2001	McKinsey & Company, consultant

Education

1998	Licentiate/Master of Science in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich
1994	Engineering degree, Higher Technical Institute (HTL), Winterthur

Other activities and functions

International Financial Risk Institute, member

Helman Sitohang
Born 1965
Indonesian Citizen

Member since 2015

CEO Asia Pacific

Professional history

1999–present	Credit Suisse
	CEO Asia Pacific (2015–present)
	Regional CEO APAC (2014–2015)
	Head of Investment Banking Asia Pacific (2012–2015)
	Co-Head of the Emerging Markets Council (2012–2015)
	CEO of South East Asia (2010–2015)
	Co-Head of the Investment Banking Department – Asia Pacific (2009–2012)
	Co-Head of the Global Markets Solutions Group – Asia Pacific (2009–2012)
	Country CEO, Indonesia (1999–2010)
Prior to 1999	Bankers Trust, derivatives group

Education

1989	BS in Engineering, Bandung Institute of Technology

Other activities and functions

Mr. Sitohang currently does not hold directorships in other organizations.

Lara J. Warner
Born 1967
Australian and US Citizen

Member since 2015

Chief Compliance and Regulatory Affairs Officer

Professional history

2002–present	Credit Suisse
	Chief Compliance and Regulatory Affairs Officer (2015–present)
	Chief Operating Officer, Investment Banking (2013–2015)
	Chief Financial Officer, Investment Banking (2010–2015)
	Head of Global Fixed Income Research (2009–2010)
	Head of US Equity Research (2004–2009)
	Senior Equity Research Analyst (2002–2004)
1999–2001	Lehman Brothers, equity research analyst
Prior to 1999	AT&T
	Director of Investor Relations (1997–1999)
	Chief Financial Officer, Competitive Local Exchange Business (1995-1997)
	Various finance and operating roles (1988-1995)

Education

1988	BS, Pennsylvania State University

Other activities and functions

Signac (joint venture between Credit Suisse and Palantir Technologies), board member

Women's Leadership Board of Harvard University's John F. Kennedy School of Government, executive committee chair

Aspen Institute's Business and Society Program, board member

ADDITIONAL INFORMATION

Complying with rules and regulations

We fully adhere to the principles set out in the Swiss Code of Best Practice for Corporate Governance, dated August 28, 2014, including its appendix stipulating recommendations on the process for setting compensation for the Board and the Executive Board.

In connection with our primary listing on the SIX, we are subject to the SIX Directive on Information Relating to Corporate Governance, dated January 1, 2016. Our shares are also listed on the NYSE in the form of ADS and certain of the Group's exchange traded notes are listed on Nasdaq. As a result, we are subject to certain US rules and regulations. We adhere to the NYSE's and Nasdaq's corporate governance listing standards (NYSE and Nasdaq standards), with a few exceptions where the rules are not applicable to foreign private issuers.

The following are the significant differences between our corporate governance standards and the corporate governance standards applicable to US domestic issuers listed on the NYSE and Nasdaq:

- Approval of employee benefit plans: NYSE and Nasdaq standards require shareholder approval of the establishment of, and material revisions to, certain equity compensation plans. We comply with Swiss law, which requires that shareholders approve the creation of conditional capital used to set aside shares for employee benefit plans and other equity compensation plans, but does not require shareholders to approve the terms of those plans.
- Risk assessment and risk management: NYSE standards allocate to the Audit Committee responsibility for the discussion of guidelines and policies governing the process by which risk assessment and risk management is undertaken, while at the Group these duties are assumed by the Risk Committee. Whereas our Audit Committee members satisfy the NYSE as well as Nasdaq independence requirements, our Risk Committee may include non-independent members.
- Independence of nominating and corporate governance committee: NYSE and Nasdaq standards require that all members of the nominating and corporate governance committee be independent. The Group's Chairman's and Governance Committee is currently composed entirely of independent members, but according to its charter, may include non-independent members.
- Reporting: NYSE standards require that certain board committees report specified information directly to shareholders, while under Swiss law only the Board reports directly to the shareholders and the committees submit their reports to the full Board.
- Appointment of the external auditor: NYSE and Nasdaq standards require that an Audit Committee of a listed company comply with and have the authority necessary to comply with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934. Rule 10A-3 requires the Audit Committee to be directly responsible for the appointment, compensation, retention and oversight of the external auditor unless there is a conflicting requirement under home country law. Under Swiss law, the appointment of the external auditor must be approved by the shareholders at the AGM based on the proposal of the Board, which receives the advice and recommendation of the Audit Committee.
- Audit Committee charter: Nasdaq standards require the Audit Committee to review and assess the adequacy of its charter on an annual basis, while our Audit Committee's charter only requires review and assessment from time to time.
- Executive sessions: NYSE and Nasdaq standards require the board of directors to meet regularly in executive sessions composed solely of independent directors. Our Board meets regularly in executive sessions comprised of all directors, including any directors determined to be not independent. If any item discussed at the meeting raises a conflict of interest for any of our directors, however, such director does not participate in the related decision making. The Board does not include any directors who are also members of management.
- Quorums: Nasdaq standards require that the company's bylaws provide for a quorum of at least 33⅓% of the outstanding shares of the company's common stock for any meeting of the holders of common stock. The Group's AoA call for a quorum in certain instances, but do not require a quorum of 33⅓% or greater of the holders of the outstanding shares of common stock for any meeting of shareholders.
- Independence: NYSE and Nasdaq independence standards specify thresholds for the maximum permissible amount of (i) direct compensation that can be paid by the company to a director or an immediate family member thereof, outside of such director's directorship fees and other permitted payments; and (ii) payments between the company and another company at which such director or an immediate family member thereof is an executive officer, controlling shareholder, partner or employee. Our independence standards do not specify thresholds for direct compensation or cross-company revenues, but consider these facts in the overall materiality of the business relationship determination for independence purposes.

Fiduciary duties and indemnification

The Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, in connection with this requirement, imposes the duties of care and loyalty on directors and members of senior management. While Swiss law does not have a general provision on conflicts of interest, the duties of care and loyalty are generally understood to disqualify directors and members of senior management from participating in decisions that could directly affect them. Directors and members of senior management are personally liable to the corporation for any breach of these provisions.

The Group's AoA and the Bank's AoA do not contain provisions regarding the indemnification of directors and officers. According to Swiss statutory law, an employee has a right to be indemnified by the employer against losses and expenses incurred by such person in the execution of such person's duties under an employment agreement, unless the losses and expenses arise from the employee's gross negligence or willful misconduct. It is our policy to indemnify current and former directors and/or employees against certain losses and expenses in respect of service as a director or employee of the Group, one of the Group's affiliates or another entity that we have approved, subject to specific conditions or exclusions. We maintain directors' and officers' insurance for our directors and officers.

Fees and charges for holders of ADS

In November 2016, after a competitive bid process, the Group entered into an amended and restated deposit agreement with The Bank of New York Mellon as depositary for the ADS (Depositary), replacing the previous depositary. In accordance with the terms of the deposit agreement, the Depositary may charge holders of our ADS, either directly or indirectly, fees or charges up to the amounts described below.

The Depositary collects its fees and related expenses for the delivery and surrender of ADS directly from investors depositing or surrendering ADS for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees and expenses for making distributions to holders by deducting those fees and expenses from the amounts distributed or by selling a portion of distributable property to pay the fees and expenses. The Depositary may generally refuse to provide fees and expenses until its fees for those services are paid.

Fees and charges for holders of ADS

Fees	
USD 5 (or less) per 100 ADS (or portion thereof)	For the issuance of ADS, including issuances resulting from a distribution of shares, share dividends, share splits and other property; for ADS issued upon the exercise of rights; and for the surrender of ADS for cancellation and withdrawal of shares.
USD 0.05 (or less) per ADS	For any distribution of cash to ADS registered holders, including upon the sale of rights or other entitlements.
Registration or transfer fees	For the transfer and registration of shares on our share register to or from the name of the Depositary or its agent when the holder deposits or withdraws shares.
Charges	
Expenses of the Depositary	For cable and facsimile transmissions (when expressly provided in the deposit agreement); and for converting foreign currency to US dollars.
Taxes and other governmental charges	Paid, as necessary, to the Depositary or the custodian who pays certain charges on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or applicable interest or penalty thereon.
Other charges	Paid, as necessary, to the Depositary or its agents for servicing the deposited shares.

Amounts paid by the Depositary to the Group

In 2016, in accordance with the Group's previous deposit agreement and amended and restated deposit agreement, the respective entities acting as depositary under these agreements made payments to the Group in an aggregated amount of USD 1.1 million, including for the reimbursement of expenses relating to its ADS program. The respective depositaries have also contractually agreed to provide certain ADS program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADS program by the Group, the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

Compensation

DEAR SHAREHOLDERS

As the Chairman of the Compensation Committee of the Board (Compensation Committee), I am pleased to present to you the 2016 Compensation Report. Let me briefly highlight some of the focus areas of the Compensation Committee in 2016, the main compensation decisions related to variable incentive compensation awarded for the 2016 financial year, as well as the resolutions which we will submit for binding shareholder votes at this year's AGM.

Key developments

During the first full year of our three-year strategic plan announced in October 2015, the Compensation Committee closely monitored the progress of the implementation of the Group's strategy, assessed the performance of the Group and divisions against predefined objectives and determined the appropriate levels of compensation for our employees in light of the operating results and market environment.

In the first quarter of 2016, the investment banking businesses, namely Global Markets and Investment Banking & Capital Markets, experienced key employee retention issues which resulted from the substantial reductions in their respective variable compensation pools that reflected the disappointing financial performance in 2015. Consequently, the Board of Directors (Board) approved special retention awards which enabled senior management to retain critical staff on a selective basis and to prevent harmful departures during a period of restructuring.

Based on this experience, the Compensation Committee acknowledged that 2016 was an important transition year which involved significant restructuring and re-organization efforts amid challenging market conditions and related uncertainties. Further, in order to remain competitive in the market during periods of transition, a differentiated approach to determining compensation was required. In particular, for divisions engaged in significant investment in building a client-centric operation such as Investment Banking & Capital Markets and Asia Pacific, as well as for Global Markets as a division undergoing substantial restructuring, the variable compensation pools for 2016 were set to ensure that employees who met their performance targets could be compensated in line with the market in order to retain key talent and, in the best interest of shareholders, maintain momentum for the continued execution of the Group's strategy in 2017 and 2018. Overall, the Compensation Committee recognized that the strategy was executed with discipline throughout the Group's organization and that important milestones in terms of cost reduction, reduced risk profile and strengthened capital base were met or surpassed in 2016.

In addition, the Compensation Committee carefully monitored the continued progress of the Group in considering risk and control in connection with performance reviews and the compensation process. Under the enhanced compensation and risk framework which was introduced in 2016, all divisions were assessed against pre-defined risk measures. Based on the consolidated findings the Compensation Committee applied upward as well as downward adjustments to select divisional variable compensation pools. These adjustments were communicated within the respective divisions to reiterate the correlation between risk and control considerations and pay.

2016 Compensation decisions

Group compensation

The Compensation Committee acknowledged that the 2016 financial results reflected a year of significant transition and that the reported pre-tax loss of CHF 2,266 million included a provision in the fourth quarter of approximately USD 2 billion relating to the settlement with the United States Department of Justice (DOJ). Nevertheless, the businesses made strong progress in achieving their strategic objectives, including reducing their cost base and increasing market share in key client and product segments. For 2016, the Board approved the Compensation Committee's proposal to award total Group variable incentive compensation of CHF 3,093 million. The increase of 6% compared to 2015 reflected the impact of strategic hiring in high growth business areas as well as the previously mentioned market adjustments to particular divisional pools. Total compensation awarded for 2016 increased slightly compared to the previous year, and total compensation expense was 8% lower compared to the previous year, largely due to lower levels of deferred compensation that vested in 2016.

Of the total variable incentive compensation awarded across the Group, 44% was deferred, compared to 43% in 2015.

Executive Board compensation

To align our Executive Board compensation with the new strategy, a revised compensation structure as outlined in the 2015 Compensation Report was approved and fully implemented in 2016. Accordingly, variable incentive compensation is awarded as Short-Term Incentive (STI) and Long-Term Incentive (LTI) opportunities.

The 2016 STI awards were fully dependent on the performance for the 2016 financial year. Payout levels were determined by quantitative criteria (70% weighting) and qualitative performance objectives (30% weighting). With respect to the quantitative performance criteria the Board approved explicit targets for 2016 with “Threshold”, “Target” and “Maximum” performance levels, corresponding to payouts of 25%, 80% and 100%, respectively. Accordingly, achieving the target performance level would result in a payout of 80% of the maximum opportunity, whereas there would be no payout for actual performance below the respective threshold level. The section “Executive Board Compensation” of this report provides further details regarding the performance assessment against quantitative and qualitative criteria which formed the basis for the 2016 STI award recommendations.

The Board's proposal to shareholders is to deliver the 2016 STI awards in the form of 50% immediate cash and 50% deferred cash vesting on the third anniversary of the grant date.

In addition to the 2016 STI awards and subject to the approval of shareholders, we intend to grant 2017 LTI awards contingent upon performance targets that are pre-determined for the three-year period from the beginning of 2017 to the end of 2019. These awards will be delivered in the form of shares in three equal tranches on the third, fourth and fifth anniversary of the grant date.

Board of Directors compensation

Consistent with the past several years, compensation of the Board of Directors continues to be based on a fixed fee structure, with pre-defined fees for Board membership, committee membership and chairing a committee. The fee amounts are set at levels comparable to other leading Swiss companies and global financial services firms and, in line with industry practice, are not linked to the financial performance of the Group. The fee structure for members of the Board remained unchanged compared to the previous year, with the exception of the chair fees for the Audit Committee and Risk Committee Chairmen, which have been adjusted downward to better reflect market levels for these roles. Furthermore, the Chairman proposed to voluntarily waive 50% of his chair fee of CHF 1.5 million for the period from the 2016 AGM to the 2017 AGM, and this proposal was approved by the Board.

Annual General Meeting of Shareholders 2017

In line with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Group's Articles of Association (AoA), the compensation of the Executive Board and the Board will be submitted for binding shareholder votes at the 2017 Annual General Meeting of Shareholders (AGM). Accordingly, shareholders will be asked to approve:

- Executive Board aggregate variable STI compensation for the 2016 financial year (retrospective vote)
- Maximum aggregate fixed compensation for the Executive Board for the period 2017 AGM to 2018 AGM (prospective vote)
- Maximum aggregate amount of 2017 LTI compensation to be awarded to members of the Executive Board subject to performance measurement over the three year period from 2017 to 2019, followed by two years of phased vesting and delivery in three installments on the respective third, fourth and fifth anniversaries of the grant date (prospective vote)
- Maximum aggregate compensation for the Board for the period 2017 AGM to 2018 AGM (prospective vote)

The actual fixed compensation paid to the Board and the Executive Board for the period 2016 AGM to 2017 AGM as well as the 2016 LTI compensation granted to members of the Executive Board was within the maximum amounts approved by the shareholders at last year's AGM.

We will continue to submit the entire Compensation Report for a consultative vote as was our practice in the past.

The Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2016. This Compensation Report is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority FINMA (FINMA). In the context of compensation for the Board and the Executive Board, the Compensation Report is in compliance with the respective provisions of the Compensation Ordinance, as confirmed by our auditors KPMG. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations and the Compensation Committee charter.

On behalf of the Compensation Committee, I would like to thank you for your support and feedback, which we will continue to solicit in the context of reviewing and refining our compensation practices to ensure both full compliance with all regulatory requirements as well as alignment with the interests of our shareholders.

Jean Lanier
Chairman of the Compensation Committee
Member of the Board of Directors
March 2017

Report of the Statutory Auditor

To the General Meeting of Shareholders of Credit Suisse Group AG, Zurich

We have audited the accompanying compensation report dated March 24, 2017 of Credit Suisse Group AG (the "Group") for the year ended December 31, 2016. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (the "Ordinance") contained in the sections marked with (audited) on pages 236 to 248 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended December 31, 2016 of the Group complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Nicholas Edmonds Licensed Audit Expert Auditor in Charge	Ralph Dicht Licensed Audit Expert

Zurich, Switzerland
March 24, 2017

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

GROUP COMPENSATION

Compensation policy and objectives

The objectives of the Group's compensation policy include attracting and retaining employees, and motivating employees to achieve results with integrity and fairness. The compensation policy is designed to support a performance culture which fosters teamwork and collaboration. Furthermore, it aims to promote effective risk management practices consistent with the Group's compliance and control framework. The compensation policy takes into account the capital position and long-term performance of the Group and balances the fixed and variable incentive compensation components to reflect the value and responsibility of the roles that employees perform. The objectives of the compensation policy are framed to achieve an appropriate balance between the interests of employees and shareholders in order to create sustainable value for the Group.

The compensation policy applies to all employees and compensation plans of the Group. It contains a detailed description of the Group's compensation principles and objectives as well as the compensation programs. It also sets out the standards and processes relating to the development, management, implementation and governance of compensation. The compensation policy adheres to the compensation principles set out by the Group's regulator in Switzerland, the FINMA, as well as the regulators in other jurisdictions in which the Group operates.

The compensation policy is reviewed regularly and endorsed by the independent Compensation Committee. The compensation policy, as well as periodic updates and revisions, is approved by the Board. The compensation policy is accessible to all employees and is published at *www.credit-suisse.com/compensation*.

Compensation Committee

The Compensation Committee is the supervisory and governing body for compensation policies, practices and plans. It is responsible for determining, reviewing and proposing compensation for the Group and Executive Board for approval by the Board. In accordance with the Swiss Ordinance Against Excessive Compensation with respect to Listed Corporations (Compensation Ordinance) and the Articles of Association (AoA), the shareholders vote annually to approve the compensation of the Board and the Executive Board based on the proposals set forth by the Board. The Compensation Committee consists of at least three members of the Board, all of whom must be independent. The current members are Jean Lanier (chairman), Iris Bohnet, Andreas N. Koopmann and Kai S. Nargolwala. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the FINMA, and the rules of the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (Nasdaq), in determining that all of these individuals are independent.

▸ Refer to "Independence" in Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

Advisers to the Compensation Committee

The Compensation Committee is authorized to retain outside advisers, at the Group's expense, for the purposes of providing guidance to the Compensation Committee as it carries out its responsibilities. McLagan, a management consulting firm specializing in the benchmarking of performance and reward data for the financial services industry, assists the Compensation Committee in ensuring that the Group's compensation program remains competitive, responsive to regulatory developments and in line with the compensation policy. McLagan has appointed a senior consultant to advise the Compensation Committee. This individual does not provide other services to the Group other than assisting the Compensation Committee. Prior to appointment, the Compensation Committee conducted an independence assessment of this advisor pursuant to the rules of the US Securities and Exchange Commission (SEC) and the listing standards of the NYSE and the Nasdaq.

Compensation Committee meetings and annual performance review

The Chairman of the Board (Chairman) and the Chief Executive Officer (CEO) may attend the Compensation Committee meetings, and the Compensation Committee chairman determines the attendance of other Board members, Executive Board members, senior management, compensation advisers and external legal counsel, as appropriate. The Chairman, CEO and senior management do not participate in discussions which relate to their own compensation.

In February of each year, the Compensation Committee meets, with the Chairman and the CEO present, for the primary purpose of reviewing the performance of the Group, the businesses and their respective management teams for the previous year. This provides the basis for a recommendation of the overall variable incentive compensation pools (pools) for the business divisions and corporate functions for approval by the Board. During its annual performance review, the Compensation Committee considers input from the chairmen of the Risk and Audit Committees, who may also attend the Compensation Committee meeting in February. The Risk Committee provides input to the Compensation Committee with respect to risk considerations and the Audit Committee provides input with respect to internal control considerations. The Compensation Committee approves the compensation for the Head of Internal Audit after consulting with the Audit Committee chairman.

The Compensation Committee also considers input from the Group's internal control functions. Specifically this includes contributions from Risk Management, Compliance and Regulatory Affairs, and Internal Audit, regarding control and compliance issues and any breaches of relevant rules and regulations or the Group's Code of Conduct. The Compensation Committee reviews the impact on the recommended amount of variable incentive compensation with respect to individuals who have been subject to the Group's disciplinary processes.

To meet regulatory guidelines regarding employees engaged in risk-taking activities, the Compensation Committee reviews and approves the compensation for employees identified as Material Risk Takers and Controllers (MRTC). The Risk Committee is involved in the review process for MRTC.

▸ Refer to "Material Risk Takers and Controllers" in Focus on risk and control – Covered employees (including Material Risk Takers and Controllers) for further information.

During 2016, the Compensation Committee held 10 meetings (including telephone conferences), with the following focus areas:

- implementation of the new compensation model for Executive Board members as communicated in the 2015 Compensation Report, including review of the delivery and amount of compensation for Executive Board members in light of the Group's performance, market pay and practices and feedback from shareholders and proxy advisors;
- review and refinement of the performance metrics for the 2017 Executive Board long term incentive (LTI) awards, reflecting shareholder feedback;
- assessment of the Group's performance and determination of compensation pools, including detailed review of competitor benchmarking information for the investment banking businesses and approval of a special retention program for those businesses in 2016;
- review of the approach to compensation and market practices for the asset management businesses;
- review of input from the Group's control functions relevant to the compensation process under the enhanced compensation and risk framework, in line with regulatory guidance;
- review of the disciplinary process, including the governance of the new Conduct and Ethics Boards, and its link to performance assessment and compensation determination, as well as the application of malus provisions;
- review of fee levels for members of the Board, in particular for members of the Group's subsidiary boards, taking into account feedback from shareholders and proxy advisers; and
- monitoring of global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance.

The Compensation Committee chairman maintains an active dialogue with the Group's principal regulators about compensation governance and plans. In addition, he engages with shareholders and their representatives regarding the compensation policy and plans.

Approval authority

The approval authorities for setting compensation policy and compensation for different groups of employees are defined in the Group's Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter available at *www.credit-suisse.com/governance*.

Board approval, based on the recommendation of the Compensation Committee, is required to:

- establish or amend the Group's compensation policy;
- establish or amend the compensation plans;
- determine the pools for the Group and divisions;
- determine compensation for the Executive Board members, including the CEO, subject to the shareholder approval requirement pursuant to the Compensation Ordinance and the AoA; and
- determine compensation of the Board, including the Chairman, subject to the shareholder approval requirement pursuant to the Compensation Ordinance and the AoA.

Compensation Committee approval is required for compensation decisions with respect to:

- the Head of Internal Audit (in consultation with the Audit Committee chairman);
- MRTC; and
- other selected members of management.

Impact of regulation on compensation

Many of the Group's regulators, including FINMA, focus on compensation. Guidance on FINMA practice is primarily set out in FINMA's Circular on Remuneration Schemes (Circular). Additionally, several regulators, including those in the US, the EU and the UK, impose requirements that differ from, or supplement, the FINMA requirements. Therefore, the Group's plans comply globally with the Circular and, to the extent local requirements differ from or supplement those standards, plans are adapted locally in the relevant jurisdiction. This generally results in additional terms, conditions and processes being implemented in the relevant locations. The Group continuously monitors regulatory and legislative developments in all applicable jurisdictions, as well as industry best practices in compensation and guidance issued by various regulatory bodies.

Determination of variable incentive compensation pools

In determining the pools, the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. The methodology to determine the Group and divisional pools takes into account economic contribution, key performance metrics and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared to peers, as well as the market positioning and trends and the regulatory environment.

Economic contribution is the primary driver and is measured at both the Group and divisional levels as income before taxes and variable incentive compensation expense, after deducting a capital usage charge that is calculated based on regulatory capital. For 2016, regulatory capital for compensation purposes was defined for each division as the higher of 10% of average divisional Basel III risk-weighted assets and 3.5% of average divisional leverage exposure. This measure of economic contribution considers the profitability of the divisions and the Group and the capital utilized to achieve this profitability. The Compensation Committee intends to achieve a more balanced distribution of economic contribution between employees and shareholders over the long term, subject to Group performance and market conditions. Regulatory capital is defined for the Group as the sum of its divisional components. For economic contribution, the Group and divisional results exclude major litigation provisions and settlements, gains/losses on business sales, real estate gains, restructuring expenses and other significant items as approved by the Compensation Committee.

The pools are determined on an annual basis, with accruals made throughout the year. The Compensation Committee regularly reviews the accruals and related financial information and applies adjustments in exceptional circumstances to ensure that the overall size of the pools is consistent with the Group's compensation objectives, protects the franchise and supports the Group's strategic objectives of delivering stable and profitable returns while growing the core businesses.

When determining the compensation pools for 2016, the Compensation Committee reflected on the significant reductions to the Global Markets and Investment Banking & Capital Markets divisional pools for 2015, following the disappointing performance of the investment banking businesses in 2015. These reductions resulted in serious retention issues in Global Markets and Investment Banking & Capital Markets in the first quarter of 2016, which led the Board to approve special retention awards to prevent harmful departures of critical staff. Based on this experience, the Compensation Committee carefully considered the Group's market positioning and trends in 2015, as well as those expected in 2016. It was agreed that for divisions engaged in significant investment for the purposes of building and expanding a client-centric approach, as well as lines of businesses undergoing substantial restructuring, market positioning and trends would play a key role in the determination of variable incentive compensation. For these divisions, the 2016 pools were set to ensure that employees who met their performance targets could be compensated in line with the market in order to retain key talent and, in the best interest of shareholders, maintain momentum for the continued execution of the Group's strategy in 2017 and 2018. Overall, the Compensation Committee recognized in setting the variable compensation pools for 2016, that the strategy was executed with discipline throughout the Group and that important milestones relating to cost reduction, reduced risk profile, and strengthened capital base were met or surpassed in 2016.

The total amount of the pool for employees working in corporate functions is not linked to the performance of the particular divisions that employees of the corporate functions support or oversee, but takes into account factors such as the Group-wide financial performance, the performance of the individual functions both in terms of achievements and qualitative measures as well as market positioning and trends. Therefore, employees working in the corporate functions, and in particular those performing control functions, are remunerated independently from the performance of the businesses they support or oversee. As with the business divisions, the pool assessment process for corporate functions takes into account risk, control, compliance with policies and regulations, ethical considerations and relative performance compared to peers, as well as the market and regulatory environment. After the pool has been determined for the corporate functions, a deduction is applied to the pool of each business division, following a consistent allocation approach based on consumption of resources, to fund the pool for the employees of the corporate functions.

Based on collective feedback from the control functions, adjustments may be applied to the divisional pool amounts. Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. This process helps to emphasize to business area managers that capital usage is a significant factor in determining the pool for the business area under their responsibility. The pools are allocated to line managers who award variable incentive compensation on a discretionary basis to employees based on individual and business area performance, subject to the constraints of the pool size.

Competitive benchmarking

The assessment of the economic and competitive environment is another important element of the compensation process as the Group strives for market-informed, competitive compensation levels. Internal expertise and the services of compensation consulting firms are used to benchmark compensation levels against relevant peers, taking into account geographical variations. The Compensation Committee is provided with regular reports from an independent compensation adviser, McLagan, on industry and market trends, including competitor performance and pay trends. The peers considered for the purposes of Group peer benchmarking are Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS. Specific benchmarking may include other peers, depending on the business area or geographic location, as appropriate.

▸ Refer to "2017 Long-Term Incentive (LTI) awards" in Executive Board Compensation – Type of awards in 2017 for the list of 18 peers used specifically for determining Relative Total Shareholder Return.

Focus on risk and control

Risk and control considerations are an integral part of the performance assessment and compensation processes. This ensures that the Group's approach to compensation includes a focus on risk and internal control matters and discourages excessive risk taking. The Group's control functions are independent from the business divisions and include Internal Audit, Compliance and Regulatory Affairs, Risk Management, Finance, and Human Resources, Communications and Branding.

Role of control functions and the new Conduct and Ethics Boards

As part of the process for determining the variable incentive compensation pool levels, senior management of the control functions provide the Compensation Committee with comprehensive feedback on regulatory, audit, disciplinary and risk-related issues or trends across the Group, relevant to the assessment of the Group's risk and control culture.

In 2016, an enhanced compensation and risk framework was introduced to supplement the existing measures that incorporate risk and control criteria into the determination of pool levels. Under the enhanced framework, the divisions are assessed against risk and conduct measures for the year, and the consolidated findings are presented to the Compensation Committee and the CEO. Based on these assessments, the Compensation Committee may approve adjustments to the divisional pool levels as proposed by the CEO.

Aside from risk considerations, disciplinary events may also impact compensation decisions. In 2016, Conduct and Ethics Boards (CEBs) were established at the Group level, for the control functions overall, as well as within each business division, replacing the former regional Disciplinary Review Committees. The CEBs review all disciplinary events and decide on disciplinary sanctions proposed by the recommendation teams, which include representatives from the control functions. The Group CEB meets on a quarterly basis to ensure that sanctions applied are in line with the Group's risk appetite, market practice and regulatory requirements.

Covered Employees (including Material Risk Takers and Controllers)

Material Risk Takers and Controllers

MRTC include employees who, either individually or as part of a group, by virtue of their level of responsibility or authority, are considered capable of causing a potentially material impact on the Group's risk profile. The criteria for classifying individuals as MRTC for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees.

Employees meeting one or more of the following criteria are identified as MRTC:

- members of the Executive Board;
- employees who report directly to a member of the Executive Board: i) in the business divisions, these include employees responsible for managing significant lines of business of the Group and members of divisional management committees; and ii) in Internal Audit, Finance, Risk Management, General Counsel, Compliance and Regulatory Affairs, and Human Resources, Communications & Branding, these include senior control personnel who are responsible for monitoring individuals or groups of individuals who manage material amounts of risk for the Group;
- employees, either individually or as part of a group, with the ability to put material amounts of the Group's capital at risk (these include traders, and others who are authorized to manage, supervise or approve risk exposure that could have a material or significant effect on the Group's financial results);
- the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function;
- all UK managing directors and other employees who, based on the significance of their functions in the UK and the potential impact of their risk-taking activities for the Group's UK entities, meet the "PRA Code Staff" definition of the Group's UK regulator, the Prudential Regulation Authority (PRA); and
- other individuals, whose roles either individually or as part of a group, have been identified as having a potential impact on the market, reputational or operational risk of the Group.

In 2016, two additional subsets of the UK PRA Code Staff population were introduced by the PRA, namely "risk managers" and "senior managers". Risk managers are individuals identified as having responsibility for managing or supervising risk-taking or significant risk functions for the Group's UK entities. Senior managers are individuals who retain the greatest influence over the strategic direction of the Group's UK business, and who also perform one or more of the PRA and UK Financial Conduct Authority's designated senior management functions and "prescribed responsibilities" for the relevant UK entities. Deferred awards granted to individuals classified as risk managers and senior managers are subject to longer vesting periods than other employees, and all variable compensation awarded to senior managers is subject to clawback over a longer period than other employees classified as PRA Code Staff.

Compensation process for Covered Employees

A broader group of employees collectively known as Covered Employees are also subject to the heightened levels of scrutiny over the alignment of their performance and compensation that apply to MRTCs. This population includes all MRTC and all US-based revenue producers in the Global Markets and Investment Banking & Capital Markets divisions, and any other employees identified by specific regulators or regulatory requirements.

Covered Employees and their managers are required to define role-specific risk objectives and to incorporate risk considerations in their performance evaluations when setting variable incentive compensation. The types of risk considered vary by role and include reputational, credit, market, operational, liquidity, and legal and compliance risks. Risk is assessed in the context of both realized and potential risk outcomes.

Malus provisions

All deferred compensation awards granted contain provisions that enable the Group to reduce or cancel the awards prior to settlement if the participant engages in certain detrimental conduct ("malus"). Consistent with previous years, deferred awards granted for 2016 enable the Group to reduce or cancel the awards prior to settlement if the conduct of the holder:

- constitutes impermissible disclosure or misuse of Group information, or willful engagement in conduct that is materially detrimental to an interest of the Group;
- evidences serious misbehavior or serious error;
- causes, could cause, or could have caused the Group or any Credit Suisse division or region to suffer a significant downturn in financial performance or regulatory capital base;
- constitutes a significant failure of risk management; or

- is reviewed by the Group's disciplinary conduct, ethics or similar committee or body.

Malus provisions were enforced during the course of 2016.

Performance share awards contain further provisions that can result in a downward adjustment or cancellation of the full balance of deferred awards in the event of future negative business performance. These additional provisions can apply regardless of whether the individual employee in question contributed to that performance.

▸ Refer to "Compensation design" for further information on deferred compensation.

▸ Refer to "Performance share awards" in Compensation design – Deferred variable incentive compensation instruments for details of these awards and the performance-based conditions and to the table "Potential downward adjustments of performance share and STI awards" for specific downward adjustments that may be applied.

Clawback provisions

While malus provisions referenced above only affect deferred awards prior to settlement, regulations enacted by the PRA require additional "clawback" provisions enabling the Group, subject to conditions, to claim back variable incentive compensation even after vesting and distribution to PRA Code Staff.

The clawback provision applies to all variable incentive compensation (including deferred and non-deferred items such as the cash component of variable incentive compensation) granted to PRA Code Staff. The clawback may be enforced by the Group at any time up to seven years from the grant date of the variable incentive compensation (or such longer period, as may be required by applicable law) in the event that:

- the individual participated in or was responsible for conduct which resulted in significant losses to the Group;
- the individual failed to meet appropriate standards of fitness and propriety, assessed by reference to factors including i) honesty, integrity and reputation; ii) competence and capability and iii) financial soundness;
- there is reasonable evidence of misbehavior by the individual or material error made by the individual; or
- the Group or the relevant business unit suffers a material failure of risk management.

For PRA Code Staff in jurisdictions other than the UK, the Group will, as circumstances deem necessary, pursue the application of the above clawback provisions to the extent permitted under local laws. Variable incentive compensation awards granted to employees regulated by the Bank of Italy contain similar clawback provisions.

Compensation design

The Group's total compensation approach includes fixed and variable incentive compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice, and role-based allowances for certain employees. Variable incentive compensation is awarded annually based on the assessment and decision of the Board, and is dependent on Group, divisional and individual performance. The percentage mix between fixed and variable incentive compensation varies according to the employee's seniority, business, conditions in the labor market and regulatory requirements.

Variable incentive compensation for 2016 was awarded primarily in the form of cash, share-based awards and Contingent Capital Awards (CCA). Share-based awards and CCA are deferred variable incentive compensation instruments that vest and settle in the future as described further below.

Employee categories and components of total compensation for 2016

	Total compensation				
	Fixed compensation	Variable compensation			
			Deferred compensation[1]		
Employee category	Base salary	Cash	Share awards	Performance share awards	Contingent Capital Awards
Managing directors and directors who are MRTC			30%	50%	20%
Other directors			80%		20%
Other MRTC			50%	50%	
Other employees with total compensation above CHF/USD 250,000			100%		
Employees with total compensation below CHF/USD 250,000					

[1] Deferred compensation is applicable to employees with total compensation of CHF/USD 250,000 or higher.

Base salaries
All employees are paid a base salary. Salary levels are based on the skills, qualifications and relevant experience of the individual, the responsibilities required by the role and external market factors.

Role-based allowances
Role-based allowances are a component of fixed compensation awarded to certain PRA Code Staff and other employees identified as risk-takers under EU regulatory requirements. These role-based allowances are determined based on the role and organizational responsibility of the individuals. Subject to certain conditions, role-based allowances are deemed to be fixed compensation for the purposes of calculating the cap of variable incentive compensation as required by the Capital Requirements Directive IV and Capital Requirements Regulation (CRD IV). Role-based allowances for 2016 were paid entirely in cash on a non-deferred basis.

Variable incentive compensation and deferral rates
For 2016, variable incentive compensation was paid in cash unless the total compensation awarded to an employee for 2016 was greater than or equal to CHF 250,000 or the local currency equivalent or USD 250,000 for employees whose total compensation is denominated in US dollars, in which case a portion was paid in cash and the balance was deferred, vesting at a later date.

The deferred portion was defined by a deferral table whereby the portion of deferred compensation increased with higher levels of total compensation. To enable closer alignment with market practice and local variations, two deferral tables have been applied since 2015: one for the Americas and another for the rest of the world. For 2016, the deferral rates ranged from 17.5% to 60% of variable incentive compensation for employees located in the Americas, and 17.5% to 85% of variable incentive compensation for employees located elsewhere. Consistent with 2015, the amount of variable incentive compensation paid in cash for 2016 was capped at CHF 2 million or the local currency equivalent (or USD 2 million for employees whose total compensation is denominated in US dollars) per employee. For 2016, 43,412 employees received variable incentive compensation, representing 92% of total employees, of which 939 were classified as MRTC.

▸ Refer to the table "Number of employees awarded variable incentive and other compensation" for further information.

Cash
Generally, employees receive the cash portion of their variable incentive compensation at a regular payroll settlement date close to the grant date.

Commissions
The Group also pays commissions to employees operating in specific areas of the business, in line with market practice. These commissions are calculated based on formulas, and are reviewed regularly to ensure that they remain at competitive levels.

Blocked share awards
To comply with CRD IV requirements, employees who hold key roles in respect of certain Group subsidiaries in the EU receive shares that are subject to restrictions for 50% of the amount that would have been paid to them as cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for six months to three years from the date of grant, depending on jurisdiction.

Deferred variable incentive compensation instruments

Share awards

Each share award entitles the holder of the award to receive one Group share at the delivery date. Share awards are designed to align the interests of employees and shareholders, as well as comply with the expectations of regulators that a substantial portion of variable incentive compensation should be granted in this form.

Share awards vest over three years with one third of the award vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers and senior managers under the UK PRA Remuneration Code. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. The number of share awards granted for 2016 was determined by dividing the value of the deferred component of the variable incentive compensation to be granted as share awards by the applicable share price of CHF 15.32, based on the average of the last 10 trading days in February, according to the timing and methodology as approved by the Compensation Committee at the beginning of February 2017. The final value of the share awards is solely dependent on the share price at the time of delivery (settlement). While share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividend equivalents upon vesting. This change in approach is aligned with market practice and ensures that deferred share awards granted to employees carry the same rights and are priced in the same manner as actual Credit Suisse Group AG registered shares. A total of 7,042 employees were granted share awards for 2016.

Performance share awards

Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance conditions. Performance share awards granted for 2016 are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2016, or a negative return on equity (ROE) of the Group, whichever results in a larger adjustment. For employees in the corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation is determined by the Compensation Committee for the year in which the performance shares are granted and may vary from year to year. For 2016, the calculation was based on adjusted results, which the Compensation Committee considered the most accurate reflection of the operating performance of the businesses. Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses, and major litigation provisions. Outstanding performance share awards granted in previous years until 2015 were subject to a negative adjustment in the event of a negative strategic ROE of the Group. However, following the change in the Group's financial reporting structure, strategic ROE is no longer calculated for performance share awards granted until 2015, and consequently any negative adjustment to them is subject to the discretion of the Compensation Committee. There were no negative adjustments applied to the performance share awards vesting in 2017, given the positive adjusted divisional results and positive adjusted ROE of the Group for 2016.

▸ Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

The amount of the potential negative adjustment for a loss at the divisional level, which is applicable to all outstanding performance share awards (including the STI awards of Executive Board members who lead business divisions), is shown in the following table.

Potential downward adjustments of performance share and STI awards

Downward adjustment if division incurs a loss

Division pre-tax loss (in CHF billion)	Adjustment on award balance (in %)
(1.00)	(15)
(2.00)	(30)
(3.00)	(45)
(4.00)	(60)
(5.00)	(75)
(6.00)	(90)
(6.67)	(100)

As in the case of share awards, performance share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents, while performance share awards granted after January 1, 2016 include the right to receive dividend equivalents upon vesting. A total of 1,795 employees were granted performance share awards for 2016. Managing directors and almost all employees classified as MRTC received at least 50% of their deferred variable incentive compensation in the form of performance share awards.

Contingent Capital Awards (CCA)

CCA are a form of deferred award that have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market, such as the high-trigger contingent convertible capital instruments. CCA are scheduled to vest on the third anniversary of the grant date, other than CCA granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code, where CCA vest on the fifth and seventh anniversaries of the grant date, respectively. CCA are expensed over the vesting period. However, because CCA qualify as going-concern loss-absorbing capital of the Group, the timing and form of distribution upon settlement is subject to approval by

FINMA. Prior to settlement, CCA provide a conditional right to receive semi-annual cash payments of interest equivalents. The rates depend upon the vesting period and the currency of denomination, as follows:

- CCA granted in February 2017 that are denominated in US dollars and vest three, five and seven years from the date of grant receive interest rate equivalents at a rate of 4.27% per annum over the six-month US dollar London Interbank Offered Rate (LIBOR);
- CCA granted in February 2017 that are denominated in Swiss francs and vest three years from the date of grant receive interest rate equivalents at a rate of 3.17% per annum over the six-month Swiss franc LIBOR;
- CCA granted in February 2017 that are denominated in Swiss francs and vest five years from the date of grant receive interest rate equivalents at a rate of 3.03% per annum over the six-month Swiss franc LIBOR; and
- CCA granted in February 2017 that are denominated in Swiss francs and vest seven years from the date of grant receive interest rate equivalents at a rate of 2.93% per annum over the six-month Swiss franc LIBOR.

These rates were set in line with market conditions at the time of grant and with existing high-trigger and low-trigger contingent capital instruments that the Group has issued. CCA are not traded in the debt markets. Employees who were awarded compensation in Swiss francs received CCA denominated in Swiss francs, while employees who were awarded compensation in currencies other than Swiss francs received CCA denominated in US dollars.

At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award currency denomination will be converted into the local currency of each respective employee.

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

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

These terms are similar to those of the outstanding tier 1 high-trigger capital instruments that the Group has issued since 2011. However, unlike the Group's outstanding tier 1 high-trigger instruments, the CCA would not convert into common equity, but would be written down to zero upon a trigger event.

The total CCA awarded for 2016 was CHF 229 million and a total of 5,779 employees received CCA for 2016.

Other cash awards

The Group may employ other compensation plans or programs to facilitate competitive hiring practices, support the retention of talent and accommodate local market practices. These special compensation arrangements apply to a select group of individuals due to their specific circumstances, and must be approved by the Compensation Committee. For 2016, this applied to 225 employees.

Limitations on share-based awards

The Group prohibits employees from entering into transactions to hedge the value of outstanding share-based awards but allows employees to hedge awards that have already vested. Employee pledging of unvested, or vested and undistributed share-based awards is also prohibited, except with the approval of the Compensation Committee. The Group generally applies minimum share ownership requirements, inclusive of unvested awards, as follows:

- Employees in divisional management committees: 50,000 shares; and
- Employees in functional management committees: 20,000 shares.

▸ Refer to "Minimum share ownership requirements" in Executive Board Compensation – Other aspects of Executive Board compensation for further information on minimum share ownership requirements for Executive Board members.

Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2016 and 2015.

Total compensation awarded

For			2016			2015
	Unrestricted	Deferred	Total	Unrestricted	Deferred	Total
Fixed compensation (CHF million)						
Salaries	5,728	–	5,728	5,714	–	5,714
Social security	697	–	697	788	–	788
Other	710 [1]	–	710	707 [1]	–	707
Total fixed compensation	**7,135**	**–**	**7,135**	**7,209**	**–**	**7,209**
Variable incentive compensation (CHF million)						
Cash	1,706	–	1,706	1,662	–	1,662
Share awards	37	566	603	12	549	561
Performance share awards	–	451	451	–	429	429
Contingent Capital Awards	–	229	229	–	226	226
Other cash awards	–	104	104	–	42	42
Total variable incentive compensation	**1,743**	**1,350**	**3,093**	**1,674**	**1,246**	**2,920**
Other variable compensation (CHF million)						
Cash severance awards	8	–	8	35	–	35
Cash-based commissions	20	–	20	222	–	222
Other [2]	47	350	397 [3]	27	195	222
Total other variable compensation	**75**	**350**	**425**	**284**	**195**	**479**
Total compensation awarded (CHF million)						
Total compensation awarded	**8,953**	**1,700**	**10,653**	**9,167**	**1,441**	**10,608**
of which guaranteed bonuses	27	35	62	34	49	83

[1] Includes pension and other post-retirement expense of CHF 384 million and CHF 359 million in 2016 and 2015, respectively.
[2] Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.
[3] Includes CHF 249 million of deferred share and cash retention awards relating to the reorganization of the Global Markets and Investment Banking & Capital Markets businesses.

Total compensation awarded for 2016 was CHF 10,653 million, slightly higher than the CHF 10,608 million awarded in 2015. Total variable incentive compensation awarded for 2016 was CHF 3,093 million, up 6% compared to 2015, which reflected the impact of strategic hiring in high growth business areas as well as necessary adjustments to certain divisional pools to align compensation levels with the market. Of the total variable incentive compensation awarded across the Group for 2016, 44% was deferred, compared to 43% in 2015, and subject to certain conditions including future service, performance, market and malus criteria.

Cash severance awards relating to terminations of employment of CHF 8 million and CHF 35 million were awarded to 196 and 760 employees and expensed in 2016 and 2015, respectively. In connection with the strategic review of the Group, restructuring expenses were recognized that were not part of total compensation expenses. These restructuring expenses included cash severance expenses of CHF 218 million and CHF 191 million relating to 1,796 and 1,429 employees in 2016 and 2015, respectively. Other awards, including replacement awards, sign-on payments and retention awards, of CHF 397 million and CHF 222 million were paid to 838 and 925 employees in 2016 and 2015, respectively.

▸ Refer to “Note 13 – Restructuring expenses” in V – Consolidated financial statements – Credit Suisse Group for further information.

Number of employees awarded variable incentive and other compensation

	MRTC [1]	Other employees	2016 Total	MRTC [1]	Other employees	2015 Total
Number of employees awarded variable incentive compensation						
Variable incentive compensation	**939**	**42,473**	**43,412**	**835**	**42,390**	**43,225**
of which cash	939	42,473	43,412	602	42,346	42,948
of which share awards	897	6,145	7,042	802	6,323	7,125
of which performance share awards	890	905	1,795	783	977	1,760
of which Contingent Capital Awards	869	4,910	5,779	782	5,007	5,789
of which other cash awards	49	176	225	61	175	236
Number of employees awarded other variable compensation						
Cash severance awards	1	195	196	10	750	760
Cash-based commissions	–	220	220	–	396	396
Guaranteed bonuses	11	151	162	7	177	184
Other [2]	148	690	838	50	875	925

[1] Excludes individuals who may have been classified as MRTC according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Global Markets and Investment Banking & Capital Markets, who were classified as Covered Employees by the US Federal Reserve.
[2] Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.

Compensation awarded to Material Risk Takers and Controllers

The variable compensation awarded to 939 employees classified as MRTC totaled CHF 899 million for 2016, of which CHF 614 million, or 68%, was deferred. MRTC received 50% of their deferred compensation for 2016 in the form of performance share awards and other awards which are subject to performance-based malus provisions. The total compensation awarded to employees classified as MRTC for 2016 was CHF 1,642 million.

Compensation awarded to Material Risk Takers and Controllers

For	Unrestricted	Deferred	2016 Total	Unrestricted	Deferred	2015 Total
Fixed compensation (CHF million)						
Total fixed compensation	**510**	**–**	**510**	**470**	**–**	**470**
Variable incentive compensation (CHF million)						
Cash	285	–	285	248	–	248
Share awards	–	199	199	–	176	176
Performance share awards	–	279	279	–	254	254
Contingent Capital Awards	–	108	108	–	104	104
Other cash awards	–	28	28	–	53	53
Total variable incentive compensation	**285**	**614**	**899**	**248**	**587**	**835**
Other variable compensation (CHF million)						
Cash severance awards	1	–	1	8	–	8
Other [1]	17	215	232	2	81	83
Total other variable compensation	**18**	**215**	**233**	**10**	**81**	**91**
Total compensation (CHF million)						
Total compensation	**813**	**829**	**1,642**	**728**	**668**	**1,396**
of which guaranteed bonuses	3	9	12	2	9	11

[1] Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.

Group compensation and benefits expense

Compensation and benefits expenses recognized in the current year income statement include salaries, role-based allowances, variable incentive compensation, benefits and employer taxes on compensation. Variable incentive compensation expense generally reflects the cash compensation for the current year, amortization of deferred compensation awards granted in prior years, and severance, sign-on and commission payments. Deferred variable incentive compensation granted for the current year is expensed in future periods during which it is subject to future service, performance and malus criteria and other restrictive covenants.

In 2016, total compensation expense was 8% lower compared to 2015, mainly due to lower levels of deferred compensation that vested in 2016.

Group compensation and benefits expense

in			**2016**			2015
December 31	Current compensation	Deferred compensation	**Total**	Current compensation	Deferred compensation	Total
Fixed compensation expense (CHF million)						
Salaries	5,728	25	5,753	5,714	37	5,751
Social security [1]	697	–	697	788	–	788
Other [2]	710	–	710	707	–	707
Total fixed compensation expense	**7,135**	**25**	**7,160**	**7,209**	**37**	**7,246**
Variable incentive compensation expense (CHF million)						
Cash	1,706	–	1,706	1,662	–	1,662
Share awards	37	603 [3]	640	12	819 [3]	831
Performance share awards	–	370	370	–	563	563
Contingent Capital Awards	–	235	235	–	430	430
Contingent Capital share Awards	–	30	30	–	–	–
Capital Opportunity Facility Awards	–	13	13	–	16	16
Plus Bond awards	–	5	5	–	22	22
2011 Partner Asset Facility awards [4]	–	–	–	–	2	2
Restricted Cash Awards	–	–	–	–	39	39
2008 Partner Asset Facility awards [4]	–	13	13	–	34	34
Other cash awards	–	335	335	6	410	416
Total variable incentive compensation expense	**1,743**	**1,604**	**3,347**	**1,680**	**2,335**	**4,015**
Other variable compensation expense (CHF million)						
Severance payments	8	–	8	35	–	35
Commissions	20	–	20	222	–	222
Other	37	–	37	28	–	28
Total other variable compensation expense	**65**	**–**	**65**	**285**	**–**	**285**
Total compensation expense (CHF million)						
Total compensation expense	**8,943**	**1,629**	**10,572**	**9,174**	**2,372**	**11,546**

1 Represents the Group's portion of employees' mandatory social security.
2 Includes pension and other post-retirement expense of CHF 384 million and CHF 359 million in 2016 and 2015, respectively.
3 Includes CHF 46 million and CHF 25 million of compensation expense associated with replacement share awards granted in 2016 and 2015, respectively.
4 Includes the change in the underlying fair value of the indexed assets during the period.

Group estimated unrecognized compensation expense

The following table shows the estimated compensation expense that has not yet been recognized through the income statement for deferred compensation awards granted for 2016 and prior years that were outstanding as of December 31, 2016, with comparative information for 2015. These estimates were based on the fair value of each award on the grant date, taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

Group estimated unrecognized compensation expense

in	Deferred compensation		**2016**	Deferred compensation		2015
	For 2016	For prior-year awards	**Total**	For 2015	For prior-year awards	Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	565	445 [1]	1,010	521	573 [1]	1,094
Performance share awards	446	119	565	386	165	551
Contingent Capital Awards	218	109	327	259	230	489
Contingent Capital share Awards	–	24	24	–	–	–
Other cash awards	104	181	285	42	176	218
Estimated unrecognized compensation expense	**1,333**	**878**	**2,211**	**1,208**	**1,144**	**2,352**

1 Includes CHF 43 million and CHF 59 million of estimated unrecognized compensation expense associated with replacement share awards granted to new employees in 2016 and 2015, respectively, not related to prior years.

▸ Refer to "Discontinued compensation plans" for descriptions of the awards granted in years prior to 2014.

Impact of share-based compensation on shareholders' equity

In general, the income statement expense recognition of share-based awards on a pre-tax basis has a neutral impact on shareholders' equity because the reduction to shareholders' equity from the expense recognition is offset by the obligation to deliver shares, which is recognized as an increase to equity by a corresponding amount. Shareholders' equity includes, as additional paid-in capital, the tax benefits associated with the expensing and subsequent settlement of share-based awards.

Prior to 2011, the Group covered its share delivery obligations to employees primarily by purchasing shares in the market. When the Group purchases shares from the market to meet its share delivery obligations, these purchased shares reduce equity by the amount of the purchase price.

For the period 2011-2013, share delivery obligations were covered mainly through issuances of shares from conditional capital. In the second half of 2013, the Group resumed purchasing shares in the market to cover a portion of its share delivery obligations. In 2014, the majority of the Group's share delivery obligations were covered through market purchases and in 2015 share delivery obligations were fully covered through market purchases. In 2016, the Group's share delivery obligations were covered mainly through the issuance of shares from conditional capital, with a portion covered by shares purchased in the market. The Group intends to cover its future share delivery obligations through market purchases.

Share-based awards outstanding

At the end of 2016, there were 135.1 million share-based awards outstanding, including 86.7 million share awards and 48.4 million performance share awards.

Subsequent activity

In early 2017, the Group granted approximately 37.8 million new share awards and 29.7 million new performance share awards with respect to performance in 2016. Further, the Group awarded CHF 229 million of deferred variable incentive compensation in the form of CCA pursuant to the Group's compensation policy.

In the first half of 2017, the Group plans to settle 60.7 million deferred awards from prior years, including 36.5 million share awards and 23.0 million performance share awards. The Group plans to meet this delivery obligation through market purchases.

▸ Refer to "Regulatory capital and ratios" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – BIS Capital Metrics for more information.

Value changes of outstanding deferred awards

Employees experience changes to the value of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market driven effects, such as changes in the Group share price, changes in the value of the Capital Opportunity Facility (COF), the 2008 Partner Asset Facility (PAF), CCA and foreign exchange rate movements. Explicit value changes reflect risk adjustments triggered by conditions related to negative performance in the performance share awards or the malus provisions in all deferred awards. The final value of an award will only be determined at settlement.

▸ Refer to "Discontinued compensation plans" for further information on COF and PAF.

The following table provides a comparison of the fair values of outstanding deferred compensation awards at the end of 2015 and 2016, indicating the value of changes due to implicit and explicit adjustments. For 2016, the change in fair value for the outstanding deferred compensation awards was due to implicit adjustments driven primarily by changes in the Group share price, foreign exchange rate movements and changes in the value of CCA.

Fair value of outstanding deferred compensation awards

		Change in value		
in / end	2015	Implicit	Explicit	**2016**
Share-based awards (CHF per unit)				
Share awards granted for 2013 [1]	21.7	(7.1)	–	14.6
Share awards granted for 2014 [2]	21.7	(7.1)	–	14.6
Share awards granted for 2015 [3]	18.6	(4.0)	–	14.6
Performance share awards granted for 2013 [1]	21.7	(7.1)	–	14.6
Performance share awards granted for 2014 [2]	21.7	(7.1)	–	14.6
Performance share awards granted for 2015 [3]	18.6	(4.0)	–	14.6
Cash-based awards (CHF per unit)				
2008 Partner Asset Facility awards (PAF)	2.46	0.11	–	2.57
Contingent Capital Award for 2013 [1]	1.19	0.18	–	1.37
Contingent Capital Award for 2014 [2]	1.26	0.13	–	1.39
Contingent Capital Award for 2015 [3]	1.00	0.10	–	1.10
Capital Opportunity Facility from converted PAF2 award	1.23	0.13	–	1.36

1 Represents awards granted in January 2014 for 2013.
2 Represents awards granted in January 2015 for 2014.
3 Represents awards granted in January 2016 for 2015.

EXECUTIVE BOARD COMPENSATION

Compensation structure and awards

As communicated in the 2015 Compensation Report and fully implemented in 2016, material amendments were made to the Executive Board compensation design to reflect the new organizational structure of the Group, the revised strategic objectives and shareholder feedback, and to provide a more direct link between pay and performance. Under the new structure, the variable incentive compensation for Executive Board members consists of a short-term incentive opportunity (STI Opportunity) and a long-term incentive opportunity (LTI Opportunity), each expressed as a multiple of the respective Executive Board member's base salary. Target and maximum STI and LTI Opportunity levels are determined for Executive Board members by the Compensation Committee and approved by the Board, taking into account benchmark market levels of compensation for each role provided by the Compensation Committee's external compensation adviser, McLagan. At the end of each performance cycle, the actual payout levels of the STI and LTI Opportunities are determined according to threshold, target and maximum payout levels which are directly linked to performance criteria, and the maximum payout level in each case may not exceed 100% of the opportunity. The assessment of performance against the targets set for the STI and LTI awards and the actual achievements against such performance targets will be disclosed in the Compensation Report at the end of the respective performance cycles.

The STI award is based on the performance of the preceding year and is designed to reward the achievement of annual objectives. The final payout levels of the STI award are linked to the achievement of the pre-determined performance criteria and targets of the preceding year, as approved by the Board. STI awards are paid in the form of 50% immediate cash and 50% deferred cash awards, which vest on the third anniversary of the grant date.

▸ Refer to the chart "Overview of 2016 Short-Term Incentive awards" and "Types of awards in 2017" for more details.

Overview of 2016 Short-Term Incentive awards

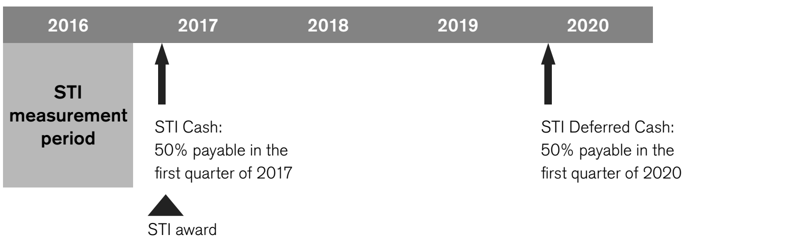
Key features

- Rewards achievement of annual objectives of the Group and the divisions
- Maximum opportunity is expressed as a percentage of base salary and may not exceed this level
  – For 2016, the maximum opportunity range is between 75% and 225% of base salary
- Payout levels determined by quantitative and qualitative performance objectives, and defined as % of total opportunity:
  – Maximum performance: 100%
  – Target performance: 80%
  – Threshold performance: 25%
  – Below threshold: 0%
- Delivery as 50% immediate cash payment and 50% deferred cash vesting on third anniversary of grant date
- For PRA Code Staff, delivery is as follows:
  – 20% immediate cash payment
  – 20% immediate Credit Suisse Group AG registered shares, subject to blocking period of six months
  – 30% deferred cash and 30% deferred shares, vesting in five equal tranches on the third to seventh anniversaries of the grant date

Performance Criteria

Performance criteria and weighting (%)	CEO	Divisional Head	Functional Head
Quantitative criteria: Group level (adjusted[1] pre-tax income, CET1 ratio, CET1 leverage ratio)	70%	20%	70%
Quantitative criteria: Divisional level (adjusted[1] pre-tax income, net new assets, risk-weighted assets, leverage exposure, adjusted[1] return on regulatory capital)	–	50%	–
Qualitative criteria (delivery of strategic initiatives, leadership/culture, compliance)	30%	30%	30%

Delivery and Vesting Timeline (Example of 2016 award granted in January 2017)



[1] Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses, and major litigation provisions. Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation.

The LTI award is structured to reward the achievement of the Group's long-term business plan, providing closer alignment with the long-term target returns of shareholders. The LTI award is provided in the form of Credit Suisse Group AG registered shares, which vest upon the achievement of pre-defined performance metrics at the end of the three-year performance period. Following the completion of the three-year performance period, the final payout levels of the LTI award are determined by the Compensation Committee (and approved by the Board) based on the achievement of the pre-determined performance metrics. These metrics include the Relative Total Shareholder Return (RTSR) of Credit Suisse Group AG registered shares as a market-determined metric and other internal key performance metrics. Due to the commercial sensitivity of these internal metrics, performance against targets will be disclosed retrospectively. Any portion of the LTI Opportunity awarded is subject to phased vesting, whereby the shares are delivered in three installments over two years following the completion of the performance period on the respective third, fourth and fifth anniversaries of the grant date. Due to the importance of achieving the firm's long-term business objectives, approximately two-thirds of total variable incentive compensation to Executive Board members is granted in the form of LTI awards.

▸ Refer to the chart "Overview of 2017 Long-Term Incentive awards" and "Types of awards in 2017" for more details.

In 2016, the annual base salary for the CEO was CHF 3.0 million. For Executive Board members based in Switzerland and Singapore, the annual base salary was CHF 2.0 million or the equivalent amount in local currency, and USD 2.0 million for Executive Board members based in the US. Individuals who were appointed to the Executive Board during 2016 received a base salary at these levels on a pro rata basis with effect from the time of appointment to the Executive Board. Base salaries and role-based allowances paid in 2016 were fully in line with the overall amount of fixed compensation approved by shareholders for members of the Executive Board at the 2015 and 2016 AGMs.

The compensation design described above applies to all Executive Board members, except for Mr. David R. Mathers, who is considered PRA Code Staff and subject to the regulations of the PRA and the European Banking Authority (EBA). In order to comply with the rules and requirements of the PRA and EBA, a portion of this individual's compensation was awarded as a role-based allowance, which was taken into consideration when variable incentive compensation was determined, and a portion of this individual's STI award was granted in the form of a deferred share award, instead of a cash award.

For 2016, the combined STI Opportunity and LTI Opportunity for the CEO was a multiple of four times base salary, and the maximum variable incentive compensation plus base salary was CHF 15.0 million, as shown in the table "2016 Executive Board compensation structure". Similarly, for Executive Board members, the combined STI and LTI Opportunity levels ranged from two to five and a half times base salary depending on the member's role and function, and the maximum variable incentive compensation plus base salary was CHF 13.0 million.

2016 Executive Board compensation structure

	Executive Board member				CEO			
	Range of opportunity levels (multiple of base salary)	Base salary (CHF million)	Maximum variable incentive compensation (CHF million)	Maximum total compensation (CHF million) [1]	Maximum opportunity (multiple of base salary)	Base salary (CHF million)	Maximum variable incentive compensation (CHF million)	Maximum total compensation (CHF million) [1]
Short-term incentive award	0.75 – 2.25	2.00	4.50	6.50	1.50	3.00	4.50	7.50
Long-term incentive award	1.25 – 3.25	–	6.50	6.50	2.50	–	7.50	7.50
Total	**2.00 – 5.50**	**2.00**	**11.00**	**13.00**	**4.00**	**3.00**	**12.00**	**15.00**

[1] Excluding dividend equivalents, pension and other benefits.

Governance

Compensation payable to the Executive Board members, including the CEO, is approved by the Board, based on the recommendation of the Compensation Committee. All variable incentive compensation recommendations will be submitted to shareholders as aggregate numbers per proposal for their binding votes at the AGM in April 2017. In determining its recommendation to the Board, the Compensation Committee assesses the performance of the Executive Board members, including the CEO, based on actual performance compared to pre-defined individual objectives and performance targets.

Performance evaluation and compensation decisions for 2016

In February 2017, the Compensation Committee completed its performance evaluation for 2016 for the Group and the individual assessments of the Executive Board members. In determining variable compensation, the Compensation Committee reviewed the outcome of the applicable Group and divisional quantitative and qualitative performance metrics relative to the maximum, target and threshold performance levels for each individual. The respective performance levels were pre-defined during the financial planning stages of 2016, specifically for compensation assessment purposes. The performance assessment and payout levels achieved are presented in the table "STI awards: 2016 quantitative performance assessment". Due to the commercially sensitive nature of the internal divisional performance targets, only the Group performance targets that apply to all Executive Board members are disclosed.

Variable incentive compensation for Executive Board membership during 2016

2016 results against performance targets for the 2016 STI awards

During 2016, the Group strengthened its capital position. Without taking into account the provision of approximately USD 2 billion for the settlement with the DOJ regarding the Group's legacy RMBS business, and an increase in operational risk-weighted assets of approximately CHF 0.7 billion in connection with the RMBS settlement, both of which the Compensation Committee regarded, in its discretion on compensability, as not reflective of underlying operating performance, the Group's look-through CET1 ratio would have been 12.4%, compared to the year-end performance target of 11.0%. Excluding the RMBS settlement provision, the Group's look-through CET1 leverage ratio would have been 3.5%, compared to the year-end performance target of 3.3%. The Group's adjusted pre-tax income of CHF 615 million achieved for 2016 was below the performance target of CHF 1,502 million, primarily reflecting significantly weaker trading results in the Asia Pacific region, particularly in the fourth quarter. Nevertheless, the Group made significant progress during the year in decreasing its fixed cost base and investing in strengthening its client franchises, to increase operating leverage going forward.

Swiss Universal Bank achieved results mostly in line with the target performance levels set for 2016. Adjusted pre-tax income of CHF 1,738 million exceeded the maximum performance level. In terms of capital usage, risk-weighted assets of CHF 66 billion and leverage exposure of CHF 253 billion included investments in growth businesses, and were between the threshold and target performance levels. Private Banking net asset outflows of CHF 2 billion was below the threshold performance level and mainly reflected terminated relationships with certain external asset managers and the regularization of client assets.

International Wealth Management delivered a strong performance in 2016. The Private Banking business achieved adjusted pre-tax income of CHF 822 million, and net new assets of CHF 16 billion, exceeding the respective maximum performance levels for 2016. The Asset Management business increased its adjusted pre-tax income by 54% compared to the previous year to CHF 287 million, albeit below the threshold performance level set for the year. In terms of capital, the division as a whole exceeded its maximum performance levels at the end of the year, with risk-weighted assets of CHF 35 billion and leverage exposure of CHF 94 billion.

Asia Pacific's results reflected a Private Banking business that performed strongly during the year, while the Investment Banking business was adversely impacted by low client trading activity, in particular in the fourth quarter of 2016. Adjusted pre-tax income for 2016 of CHF 778 million was below the threshold performance level, primarily driven by lower trading revenues. Net new assets for the Private Banking business of CHF 14 billion was slightly below the threshold performance level. Overall, Asia Pacific achieved an adjusted return on regulatory capital of 14.8%, which was below the threshold performance level.

Global Markets made strong progress in executing its strategy in 2016, reducing risk-weighted assets to USD 51 billion, exceeding the maximum performance level. The division also successfully lowered its cost base, with adjusted operating expenses of USD 5,295 exceeding the target performance level for the year. In a year of substantial restructuring, the Global Markets businesses remained profitable, with an adjusted return on regulatory capital of 2.0%, albeit lower than the target performance level.

Investment Banking & Capital Markets continued to successfully execute its strategy, improving its share of wallet across all key products and covered client segments during 2016. Adjusted return on regulatory capital for the full year was 11.9%, which was below the threshold performance level. Risk-weighted assets of USD 18 billion at the end of the year exceeded the maximum performance level, and leverage exposure of USD 45 billion was below the threshold performance level.

The Strategic Resolution Unit made significant progress in disposing of legacy positions and exceeded the maximum performance levels for 2016 in terms of profitability, with an adjusted pre-tax loss for 2016 of CHF 2,943 million, and capital usage, with risk weighted assets of CHF 45 billion at the end of the year. Leverage exposure of CHF 106 billion was between the target and maximum performance year-end levels.

The payout levels corresponding to achievement of "Threshold", "Target" and "Maximum" performance levels are shown in "Overview of 2016 Short-Term Incentive awards" and the calculation of the payout level for the financial performance metrics is demonstrated in "STI award payout level calculation".

Qualitative assessment for the 2016 STI awards

In the overall performance assessment for the year, qualitative factors carried a 30% weighting for all Executive Board members and included criteria such as successful execution of business strategy, leadership initiatives, talent management, partnerships and collaboration in strengthening the Group's client focus, and contribution to the enhancement of the Group's brand and reputation. The Compensation Committee noted that during 2016 the Executive Board continued to successfully implement the Group's strategy, reducing the cost base of their respective operations, reallocating resources to higher growth businesses, increasing market share across key products and client segments, while maintaining the focus on clients and supporting the reputation of the Group. The Compensation Committee also noted the strong leadership qualities of the respective divisional and functional heads, the strengthening of control measures within both the business and corporate functions, as well as the promotion of diversity and retention of key talent, amongst other qualitative achievements. Overall, the Compensation Committee determined that each of the Executive Board members had performed effectively in their respective roles, contributing to the strategic positioning of the Group and on the whole, achieving their qualitative targets for the year.

STI awards granted for 2016

Taking into account the 2016 results against performance targets as well as the qualitative assessment outlined above, the Compensation Committee recommended an aggregate amount of STI awards of CHF 25.99 million to be granted to the members of the Executive Board comprised of cash, deferred cash and deferred share awards. The aggregate amount represents, on average, 80% of the STI Opportunity set for each Executive Board member.

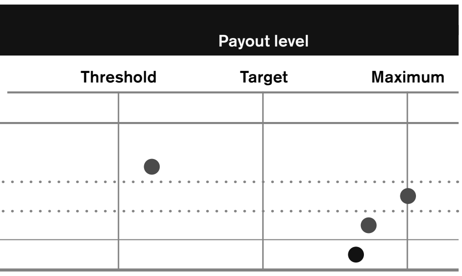
STI award payout level calculation

STI payout levels between Threshold, Target and Maximum levels are calculated as a linear percentage of the award opportunity.

Actual performance	Payout level
Below Threshold	0%
At Threshold	25%
Between Threshold and Target	$25\% + \left[\left(\frac{\text{Actual – Threshold}}{\text{Target – Threshold}}\right) \times 55\%\right]$
Target	80%
Between Target and Maximum	$80\% + \left[\left(\frac{\text{Actual – Target}}{\text{Maximum – Target}}\right) \times 20\%\right]$
At Maximum or above	100%

STI awards: 2016 quantitative performance assessment

Performance criteria	Weighting	2016 target	2016 result
CEO and functional heads			
Group metrics			
Adjusted pre-tax income (CHF million)	10%	1,502	615
CET1 ratio	30%	11.0%	12.4% [1]
CET1 leverage ratio	30%	3.3%	3.5% [2]
Total	**70%**		

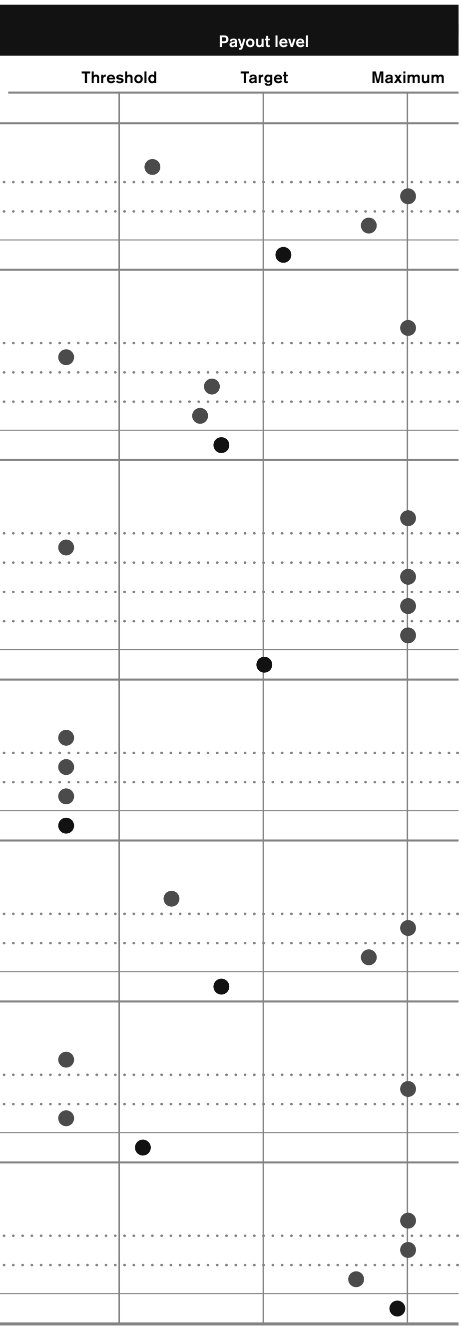


[1] The look-through CET1 ratio, without taking into account the impact of the final DOJ settlement relating to the Group's legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion and an increase in the fourth quarter of 2016 in operational risk-weighted assets of approximately CHF 0.7 billion. The reported look-through CET1 ratio was 11.5%.

[2] The look-through CET1 leverage ratio, without taking into account the impact of the final DOJ settlement relating to the Group's legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion. The reported look-through CET1 leverage ratio was 3.2%.

STI awards: 2016 quantitative performance assessment

Performance criteria	Weighting	2016 result
Divisional heads		
Group metrics		
Adjusted pre-tax income (CHF million)	5%	615
CET1 ratio	7.5%	12.4% [1]
CET1 leverage ratio	7.5%	3.5% [2]
Total	**20%**	
Swiss Universal Bank metrics		
Adjusted pre-tax income (CHF million)	20%	1,738
Private Banking net new assets (CHF billion)	10%	(2)
Risk-weighted assets (CHF billion)	10%	66
Leverage exposure (CHF billion)	10%	253
Total	**50%**	
International Wealth Management metrics		
Private Banking adjusted pre-tax income (CHF million)	10%	822
Asset Management adjusted pre-tax income (CHF million)	10%	287
Private Banking net new assets (CHF billion)	10%	16
Risk-weighted assets (CHF billion)	10%	35
Leverage exposure (CHF billion)	10%	94
Total	**50%**	
Asia Pacific metrics		
Adjusted pre-tax income (CHF million)	20%	778
Net new assets (CHF billion)	10%	14
Adjusted return on regulatory capital	20%	14.8%
Total	**50%**	
Global Markets metrics		
Adjusted return on regulatory capital	20%	2.0%
Risk-weighted assets (USD billion)	15%	51
Adjusted operating expenses (USD million)	15%	5,295
Total	**50%**	
Investment Banking & Capital Markets metrics		
Adjusted return on regulatory capital	20%	11.9%
Risk-weighted assets (USD billion)	15%	18
Leverage exposure (USD billion)	15%	45
Total	**50%**	
Strategic Resolution Unit metrics		
Adjusted pre-tax income (CHF million)	15%	(2,943)
Risk-weighted assets (CHF billion)	20%	45
Leverage exposure (CHF billion)	15%	106
Total	**50%**	



[1] The look-through CET1 ratio, without taking into account the impact of the final DOJ settlement relating to the Group's legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion and an increase in the fourth quarter of 2016 in operational risk-weighted assets of approximately CHF 0.7 billion. The reported look-through CET1 ratio was 11.5%.

[2] The look-through CET1 leverage ratio, without taking into account the impact of the final DOJ settlement relating to the Group's legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion. The reported look-through CET1 leverage ratio was 3.2%.

Executive Board compensation for 2016 (audited)

in	STI awards (Non-deferred) [1]	STI awards (Deferred) [2]	**Total STI compen-sation** [3]	Salaries and role-based allowances	Dividend equivalents [4]	Pension and similar benefits and other benefits [5]	**Total fixed compen-sation**	**Total compen-sation**	LTI awards 2016 fair value (Deferred) [6]	**Total compen-sation, including LTI awards** [7, 8]
2016 (CHF million, except where indicated; does not include replacement awards)										
13 members	12.81	13.18	**25.99**	26.99	0.60	2.00	**29.59**	**55.58**	26.46	**82.04**
% of total compensation, including LTI awards			**32%**				**36%**		32%	
of which joiners and leavers during 2016 (2 individuals)	2.35	2.35	**4.70**	2.60	0.00	0.01	**2.61**	**7.31**	3.51	**10.82**
% of total compensation, including LTI awards			**44%**				**24%**		32%	
of which CEO: Tidjane Thiam	2.08	2.08	**4.17**	3.00	0.47	0.21	**3.68**	**7.85**	4.05	**11.90**
% of total compensation, including LTI awards			**35%**				**31%**		34%	

1 STI non-deferred awards for 2016 comprised CHF 12.44 million cash, with a further CHF 0.37 million granted as blocked shares to Mr. Mathers, who was categorized as PRA Code Staff during 2016.
2 STI deferred awards for 2016 comprised CHF 11.84 million in deferred cash awards as well as CHF 1.34 million granted as phantom share awards to Mr. Mathers, who was categorized as PRA Code Staff during 2016, and Mr. O'Hara, who ceased to be a member of the Executive Board during 2016.
3 STI awards included a variable compensation award of CHF 1.58 million comprising CHF 0.79 million cash and CHF 0.79 million deferred awards in respect of Mr. O'Hara relating to the period after he ceased to be a member of the Executive Board.
4 Dividend equivalents were paid in respect of replacement awards, as well as in respect of share awards granted prior to January 1, 2014, and were delivered in cash, consistent with dividends paid on actual shares.
5 Other benefits consist of housing allowances, expense allowances and relocation allowances.
6 The fair value of the LTI awards as of the date of grant has been determined using a Monte Carlo pricing model. The pricing is based on a valuation and estimate by an external provider. This has been further validated by internal valuation. The awards have a total maximum opportunity of CHF 49 million, which was the amount approved by shareholders at the 2016 AGM.
7 For Mr. Chin, who joined the Executive Board during 2016, only compensation relating to the period during which he was a member of the Executive Board is included in the table above.
8 For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 2.6 million in 2016 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

Total Executive Board compensation for 2016

Pursuant to the Group's revised strategic direction and the first full year of implementation of the new Executive Board compensation structure, total compensation awarded to the Executive Board members included fixed compensation and STI awards, as well as the estimated fair value of the LTI awards granted in 2016. Compared to total compensation of CHF 64.20 million awarded for 2015, the CHF 82.04 million awarded for 2016 mainly reflects the inclusion of the forward-looking LTI awards, which were not part of compensation awarded in 2015.

2016 total compensation of the CEO and highest paid Executive Board member

In its recommendation to the Board regarding variable incentive compensation for the CEO Mr. Tidjane Thiam, who was also the highest paid Executive Board member, the Compensation Committee, in consultation with the Chairman, considered Mr. Thiam's progress towards the successful execution of the Group's strategy during the first full year of the three-year strategic plan. In particular, the Compensation Committee noted the significant achievement made in reducing the Group's cost base, with net cost savings achieved in 2016 exceeding the target for the year. Further, Mr. Thiam has led the Group to a stronger capital position. Without taking into account the provision of approximately USD 2 billion for the settlement with the DOJ regarding the Group's legacy RMBS business, and an increase in operational risk-weighted assets of approximately CHF 0.7 billion in connection with the RMBS settlement, the year-end look-through CET1 ratio would have been 12.4% exceeding the performance target level of 11.0%, and the look-through CET1 leverage ratio would have been 3.5% exceeding the year-end target performance level of 3.3%.

In its assessment of Mr. Thiam against the qualitative criteria, the Board considered his sound leadership, careful and measured approach and success in formulating and driving the Group towards one cohesive, client-centric bank, focused on profitable, sustainable and compliant growth. A key element to the successful implementation of the Group's strategy during the year was Mr. Thiam's efforts to drive a change in culture, which emphasizes rewarding performance and ethical conduct, and promotes collaboration in delivering an integrated approach between wealth management and investment banking, placing clients at the center of the Group's value proposition. Mr. Thiam has also improved the operating leverage of the Group, by embedding a focus on cost efficiency and effectiveness throughout the business divisions and corporate functions. He was also recognized for taking decisive action in changes to management and his personal engagement in resolving significant legacy legal issues. Mr. Thiam was credited with protecting and building the Group's reputation and brand, as demonstrated by his responsiveness to the Group's various regulators who impact many of the Group's activities and will have an influence on the Group's strategy going forward. Mr. Thiam was also recognized for his prudent capital management and the structured and orderly wind-down of legacy assets, which to date has been executed with low cost to shareholders, and has enabled the reinvestment of capital into the more client-centric core businesses in an effort to drive future growth and profitability for the Group.

Overall, the Board considered Mr. Thiam's strong leadership, consistent execution of the Group's communicated strategy, effective delivery of cost efficiencies, principled and ethical conduct, and his role in driving the Group towards a stronger capital position in determining that Mr. Thiam had met his performance targets set for the year.

The Board approved the recommendation of the Compensation Committee to award Mr. Thiam an STI award of CHF 4.17 million comprised of 50% immediate cash and 50% deferred cash vesting on the third anniversary of the grant date. In addition, Mr. Thiam was granted an LTI award with a fair value of CHF 4.05 million at the time of grant, as well as fixed compensation of CHF 3.68 million.

The Group plans to disclose the total realized compensation for the CEO on an annual basis. For 2016, Mr. Thiam did not receive any other realized compensation aside from his salary, dividend equivalents and the 50% immediate cash from the STI award mentioned above.

Compensation for individuals who served on the Executive Board for part of the year

For Mr. Timothy P. O'Hara, who served on the Executive Board for the first nine months of 2016, the STI award payout level was determined by comparing the full year forecast outcome of the relevant quantitative metrics at the time he ceased to be an Executive Board member, to the pre-defined threshold, target and maximum performance levels, as well as the applicable qualitative considerations. The STI award payout level was then applied to his pre-defined full-year opportunity and pro-rated to reflect the portion of the year during which he served on the Executive Board. The actual STI award granted for 2016 also included the variable incentive compensation awarded to Mr. O'Hara relating to the period during which he was not a member of the Executive Board. This was negotiated in a separation agreement, taking into account the performance of the business, individual contribution and continued services to the Group after ceasing to be a member of the Executive Board.

For the one individual who joined the Executive Board in September 2016, Mr. Brian M. Chin, the STI award payout level was based on the full year outcome of the relevant qualitative and quantitative performance metrics compared to the pre-defined threshold, target and maximum performance levels. The STI award payout level was then applied to his pre-defined full-year opportunity and pro-rated to reflect the portion of the year during which he served on the Executive Board to determine the actual STI award granted for 2016. For the period of 2016 during which Mr. Chin was not a member of the Executive Board, variable incentive compensation was based on the achievement of pre-existing objectives set prior to his promotion to the Executive Board, pursuant to the annual performance appraisal process for employees who do not hold Executive Board positions.

Executive Board compensation for 2015 (audited)

in	STI awards (Cash)	STI awards (Deferred) [1]	**Total STI compen-sation**	Salaries and fixed allowances	Dividend equivalents [2]	Pension and similar benefits and other benefits [3]	**Total fixed compen-sation**	**Total compen-sation** [4, 5]	LTI awards 2015 fair value (Deferred) [6]	**Total compen-sation, including LTI awards**
2015 (CHF million, except where indicated; does not include replacement awards)										
17 members	13.93	20.65	**34.58**	27.87	0.51	1.23	**29.62**	**64.20**	–	**64.20**
% of total compensation			**54%**				**46%**			
of which joiners and leavers during 2015 (12 individuals)	11.41	16.42	**27.83**	15.27	0.28	0.64	**16.19**	**44.02**	–	**44.02**
% of total compensation			**63%**				**37%**			
of which highest paid: Rob Shafir	3.15	3.15	**6.30**	1.54	0.03	0.01	**1.58**	**7.88**	–	**7.88**
% of total compensation			**80%**				**20%**			
of which CEO: Tidjane Thiam	1.14	1.71	**2.86**	1.58	–	0.13	**1.71**	**4.57**	–	**4.57**
% of total compensation			**63%**				**37%**			

1 STI awards for 2015 comprised CHF 11.4 million Contingent Capital Awards, CHF 8.7 million performance shares as well as CHF 0.55 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including an Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 19.93.

2 Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in cash, consistent with dividends paid on actual shares.

3 Other benefits consist of housing allowances, expense allowances and relocation allowances. For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 5.8 million in 2015 and CHF 4.3 million in 2014 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

4 For the individuals who joined the Executive Board and the individuals who left the Executive Board during 2015, compensation relating to the period during which they were members of the Executive Board is included in the table above. Compensation for Mr. Thiam includes compensation relating to the period from June 22, 2015 to December 31, 2015; compensation for Mr. Shafir relates to the period from January 1, 2015 to October 21, 2015.

5 Replacement awards in the form of share awards were granted to Mr. Thiam and Mr. Goerke with the value at grant of CHF 14.3 million and CHF 1.9 million, respectively, to compensate them for the cancellation of deferred awards by their previous employer. Valued at the closing share price of CHF 14.21 on March 17, 2016, the replacement awards amount to CHF 9.6 million and CHF 1.1 million, respectively. These one-time replacement awards do not form part of the compensation in the table above. Considering these payments with their value at grant, the total compensation of the Executive Board and the CEO in 2015 amounted to CHF 80.4 million and CHF 18.9 million, respectively.

6 In connection with material amendments made to the Executive Board compensation design, as communicated in the 2015 Compensation Report, no LTI awards were granted for 2015.

Utilization of Executive Board compensation approved at the 2016 AGM

At the 2016 AGM, shareholders approved an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2016 AGM to the 2017 AGM of no more than CHF 33 million. By the time of the 2017 AGM, a total of CHF 30.2 million will have been paid to Executive Board members with respect to fixed compensation. Fixed compensation includes base salaries, role-based allowances, dividend equivalents, pension and benefits. In line with the Compensation Ordinance and as specified in the AoA, a further 30% of this approved amount, or CHF 9.9 million, may be paid as fixed compensation to new Executive Board members. No additional amount was required in 2016.

At the 2016 AGM, shareholders also approved an aggregate amount of LTI compensation to be granted to members of the Executive Board for the 2016 financial year of no more than CHF 49.0 million. The actual 2016 LTI compensation awarded to members of the Executive Board was within this maximum amount.

Executive Board compensation proposed for approval at the 2017 AGM

Pursuant to the Compensation Ordinance and the AoA, the AGM approves on an annual basis the compensation of the Executive Board, based on a proposal by the Board. The Board may propose that a maximum aggregate amount or maximum partial amounts of compensation components for the Executive Board be approved at the AGM in advance or retroactively for the defined period described in the proposal. Accordingly, the Board will submit the following proposals to the shareholders at the 2017 AGM:

Approval of the Executive Board aggregate short-term incentive compensation for the 2016 financial year

The Board proposes that the shareholders approve an aggregate amount of STI compensation to be awarded to members of the Executive Board for the financial year 2016 of CHF 25.99 million. The total amount consists of cash, deferred cash and deferred share awards and reflects the performance achieved for 2016, as specified in the sections "Performance evaluation and compensation decisions for 2016". The proposed amount excludes any legally required employer contributions to social security systems.

Approval of the Executive Board aggregate fixed compensation for the period from the 2017 AGM to the 2018 AGM

The Board proposes that the shareholders approve an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2017 AGM to the 2018

AGM of no more than CHF 31 million. The total amount of fixed compensation consists of base salaries, role-based allowances for members of the Executive Board qualifying as PRA Code Staff, dividend equivalents, and pension and similar benefits. The proposed amount excludes any legally required employer contributions to social security systems.

Approval of the Executive Board aggregate long-term incentive compensation for 2017

The Board proposes that the shareholders approve an aggregate amount of LTI compensation to be granted to members of the Executive Board for the 2017 financial year of no more than CHF 52 million. The total amount consists of deferred LTI awards subject to a performance measurement over the financial years 2017, 2018 and 2019, followed by two years of phased vesting and delivery in three installments on the respective third, fourth and fifth anniversaries of the grant date, as specified in the section "Type of awards in 2017". The cap of CHF 52 million represents the maximum amount payable in the form of LTI compensation and is subject to the achievement of all maximum performance levels by all Executive Board members receiving such compensation, as well as a Group RTSR ranking within the top four of the peer group described below. Following the completion of the three-year performance cycle, the shares that have vested carry the right to receive dividend equivalents, except where prohibited by regulation. The proposed amount excludes any legally required employer contributions to social security systems. The increase of CHF 3 million in total maximum LTI compensation proposed for 2017 compared to the maximum amount of CHF 49 million proposed and approved at the 2016 AGM reflects the adjusted market value for certain Executive Board member roles.

▸ Refer to footnote 6 in the table "Executive Compensation for 2016 (audited)" for a comparison of maximum LTI compensation and fair values.

Types of awards in 2017

2017 Short-Term Incentive (STI) awards

Each Executive Board member is provided with an STI Opportunity, which represents the maximum amount payable for its respective STI award. The 2017 STI awards will have the same structure as the 2016 STI awards, and the respective metrics and assessment of performance against the set targets will be disclosed retrospectively in the Compensation Report. Final 2017 STI awards will be subject to shareholder approval at the 2018 AGM.

▸ Refer to "Overview of 2016 Short-Term Incentive awards" for more details on the structure of STI awards.

2017 Long-Term Incentive (LTI) awards

Each Executive Board member is provided with an LTI Opportunity, which represents the maximum amount payable for its respective LTI award. The LTI Opportunity is structured to reward the achievement of the long-term business plan and the long-term target returns for shareholders. The initial size of the LTI Opportunity is determined at a level that, when combined with the base salary and STI Opportunity for the same calendar year, represents a competitive level of total compensation for the role of the particular Executive Board member in line with market levels. In setting the design elements of the LTI award, the Compensation Committee examines the competitive landscape annually, including overall compensation levels. The decision to set the maximum LTI Opportunity at 425% of base salary for 2017 was driven by consideration of the market values for certain Executive Board member positions, as provided by the Compensation Committee's independent compensation adviser, McLagan. The maximum LTI Opportunity for the CEO remains unchanged at 250% of base salary, and it is not intended to raise the maximum opportunity for all Executive Board member positions, as evidenced by the moderate increase in the request for total maximum LTI compensation from CHF 49 million to CHF 52 million. The initial LTI Opportunity is defined as a number of Credit Suisse Group AG registered shares calculated on the basis of the Credit Suisse Group share price at the time of grant. The subsequent payout of the LTI award is based on performance outcomes over a period of three years, measured from the beginning of the year for which the award was granted. The distribution of the award takes place on the third, fourth and fifth anniversaries of the grant date.

In its review of the performance metrics used for the 2016 LTI awards, the Compensation Committee considered, in particular, feedback from shareholders, and decided to refine the performance metrics and respective weightings as shown in the chart "Overview of 2017 Long-Term Incentive awards". The weighting of the market-based metric RTSR has been increased to 50% for all Executive Board members, to further reflect the importance of aligning compensation with shareholder returns. For the CEO and functional heads, the remaining 50% weighting is based on a Group cost target (15% weighting), the Group CET1 ratio and CET1 leverage ratio (10%), as well as divisional performance targets (25% weighting), which consist of performance targets relating to the adjusted pre-tax income of Swiss Universal Bank, International Wealth Management and Asia Pacific, the adjusted return on regulatory capital for Global Markets and Investment Banking & Capital Markets, and the adjusted pre-tax loss of the Strategic Resolution Unit. The divisional performance targets have been introduced for the CEO and functional heads, to provide a closer link between compensation and business performance. For divisional heads, the Group cost target, CET1 ratio and CET1 leverage ratio account for a 30% weighting in the quantitative performance assessment, and division-specific metrics such as adjusted pre-tax income or adjusted return on regulatory capital account for the remaining 20% weighting. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation. Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses, and major litigation provisions.

▸ Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

Overview of 2017 Long-Term Incentive awards

Key features

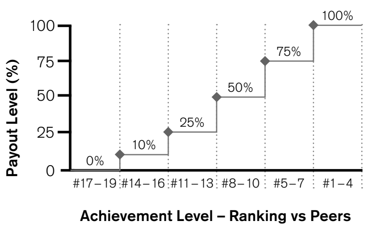
- Rewards achievement of long-term business plan and long-term returns for shareholders
- Maximum opportunity is expressed as a percentage of base salary taking into account role, market experience and geography
  – For 2017, the maximum opportunity range is between 125% and 425% of base salary
- Payout levels subject to threshold, target and maximum performance outcomes measured against pre-determined Group and divisional targets over three years:
  – Maximum performance: 100%
  – Target performance: 80%
  – Threshold performance: 25%
  – Below threshold: 0%
- Payout levels with respect to Relative Total Shareholder Return ranking are shown in the chart "Payout levels (RTSR)"
- Delivery in the form of shares with performance vesting three years from grant date and delivery in three equal tranches on the third, fourth and fifth anniversaries of the grant date

Performance Criteria

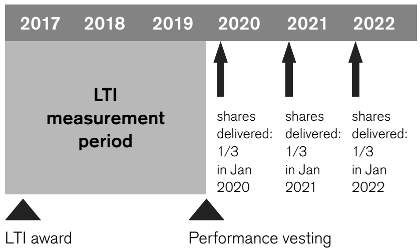
Performance criteria and weighting (%)	CEO	Divisional Head	Functional Head
Relative Total Shareholder Return (RTSR)	50%	50%	50%
CET1 ratio/CET1 leverage ratio	10%	10%	10%
Cost target	15%	20%	15%
Divisional performance	25%[2]	20%[3]	25%[2]

Payout levels (RTSR)

(Credit Suisse Group RTSR ranked vs peers[4])



Example of 2017 LTI award



[1] Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses, and major litigation provisions. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation.
[2] Divisional performance is measured using the following criteria: (i) adjusted pre-tax income of Swiss Universal Bank, International Wealth Management and Asia Pacific (15% weighting), (ii) adjusted return on regulatory capital for Global Markets and Investment Banking & Capital Markets (5% weighting), and (iii) adjusted pre-tax loss for the Strategic Resolution Unit (5% weighting).
[3] Divisional performance is measured using the following criteria: (i) adjusted pre-tax income and adjusted return on regulatory capital for Swiss Universal Bank, International Wealth Management and Asia Pacific, (ii) adjusted return on regulatory capital for Global Markets and Investment Banking & Capital Markets, and (iii) risk-weighted assets, leverage exposure and adjusted pre-tax loss for the Strategic Resolution Unit.
[4] See "Types of awards in 2017" for complete list of peer group.

In terms of the RTSR metric, a group of 18 peers have been chosen based on size, geographic scope and business mix, to provide the benchmark for comparison of performance. This group consists of Banco Santander, Bank of America, Barclays, BBVA, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, ING Group, Intesa Sanpaolo, JPMorgan Chase, Julius Bär, Morgan Stanley, Nordea Bank, Royal Bank of Scotland, Société Générale, Standard Chartered and UBS. RTSR is measured based on a ranked approach and a payout level of 100% requires a Credit Suisse Group TSR ranking within the top four of the peer group, whereas a ranking of eight to ten would result in a payout level of 50%.

▸ Refer to the "Payout levels (RTSR)" in the chart "Overview of 2017 Long-Term Incentive awards" for more details on payout levels with respect to rankings.

For each of the internal performance targets at the Group and divisional levels, the Board approved "Threshold", "Target" and Maximum" achievement levels over the 2017-2019 performance cycle, which would result in payouts of 25%, 80%, and 100% of the maximum opportunity amount, respectively. The performance against targets will be disclosed retrospectively.

Malus and clawback provisions

All deferred compensation awards of Executive Board members are subject to the same malus provisions as other employees. All variable incentive compensation granted to PRA Code Staff is also subject to clawback.

▸ Refer to "Malus provisions" and "Clawback provisions" in Group compensation for more information.

Other aspects of Executive Board compensation

Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board as follows:
- CEO: 350,000 shares; and
- Other Executive Board members: 150,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share-based awards. All affected executive employees are restricted from selling shares, or from receiving their share-based awards in the form of cash, until they fulfill the minimum share ownership requirements. The Group prohibits all employees from entering into transactions to hedge the value of outstanding share-based awards but allows employees to hedge awards that have already vested. Pledging of unvested, or vested and undistributed share-based awards is also prohibited, except with the approval of the Compensation Committee.

Cash settlement of share awards

The Executive Board members are permitted to elect, at a pre-defined date in advance of settlement, to receive their vested share-based awards in the form of shares, cash or 50% in the form of shares and 50% in cash, in each case based on the Group share price at the time of settlement. An election to receive cash is subject to reversal if at the time of settlement the Group share price is less than 75% of the share price at the time of election. The timing and pricing of settlement will be the same as under the previous award plan and as under the plans of the non-Executive Board population. This cash settlement option does not apply to deferred share-based awards granted to all other employees as of December 31, 2016, which will continue to be settled in the form of Group shares.

Contract lengths, termination and change in control provisions

All members of the Executive Board have employment contracts with the Group which are valid until terminated. The notice period for termination of employment by either the Group or the respective Executive Board member is six months. In the event of termination, there are no contractual provisions that allow for the payment of severance awards to Executive Board members beyond the regular compensation awarded during the notice period. Pre-defined conditions for all employees, including Executive Board members, apply for the payment of outstanding deferred compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for other types of payments or benefits in connection with termination of employment that are not generally available to other employees of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Board upon recommendation of the Compensation Committee with the aim of maximizing shareholder value, subject to circumstances and prevailing market conditions. There are no provisions in the employment contracts of Executive Board members or any other pre-determined arrangements that require the payment of any type of extraordinary benefits, including special severance awards or transaction premia, in the case of a change in control.

Former Executive Board members (audited)

Some former members of the Group's most senior executive body who no longer provide services to the Group are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. During 2016, former Executive Board members received total compensation of CHF 8.0 million for services they continued to perform after they stepped down from the Executive Board. A total of CHF 9.7 million was paid during 2016 to former Executive Board members pursuant to non-compete arrangements agreed upon in 2015.

Executive Board shareholdings, loans and other outstanding awards

Executive Board shareholdings

The table "Executive Board holdings and values of deferred share-based awards by individual" discloses the shareholdings of the Executive Board members, their immediate family and companies in which they have a controlling interest, as well as the value of the unvested share-based compensation awards held by Executive Board members as of December 31, 2016.

The value of share-based compensation awards granted to Executive Board members in prior years varies depending on the Group share price and other factors influencing the fair value of the award. The cumulative value of these unvested share-based awards as of December 31, 2016 was on average 26% lower than at the grant date value of the awards.

Other outstanding awards

As of December 31, 2016, the outstanding cash-based deferred compensation awards granted to certain Executive Board members in prior years were the 2008 PAF, the COF, CCA, the 2012 and 2013 LTI awards and a deferred cash award granted to Mr. Chin for his former role before joining the Executive Board. The cumulative value of such cash-based awards at their grant dates was CHF 22.64 million compared to CHF 24.24 million as of December 31, 2016. These amounts also include the cash value of dividend equivalents related to unvested share awards at their respective grant dates and at December 31, 2016.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares [1]	Number of unvested share awards	Number of owned shares and unvested share awards	Value of unvested awards at grant (CHF)	Value of unvested awards as of December 31 (CHF)
2016					
Tidjane Thiam	81,927	956,854	1,038,781	19,218,952	13,979,637
James L. Amine	262,706	960,430	1,223,136	17,584,172	13,107,481
Pierre-Olivier Bouée	3,614	342,802	346,416	6,496,732	5,008,337
Romeo Cerutti	286,688	298,820	585,508	5,513,136	4,070,471
Brian Chin	109,013	692,600	801,613	14,516,015	10,118,886
Peter Goerke	17,640	198,863	216,503	3,907,775	2,905,388
Thomas Gottstein	64,318	243,555	307,873	4,577,173	3,430,375
Iqbal Khan	40,282	264,939	305,221	4,916,102	3,753,931
David R. Mathers	70,573	515,650	586,223	9,322,737	7,013,704
Joachim Oechslin	32,345	247,226	279,571	4,759,240	3,521,532
Helman Sitohang	244,895	727,512	972,407	13,138,543	10,045,960
Lara Warner	92,043	277,851	369,894	5,252,574	3,844,714
Total	**1,306,044**	**5,727,102**	**7,033,146**	**109,203,151**	**80,800,416**
2015					
Tidjane Thiam	–	677,368	677,368	14,322,470	14,692,112
James L. Amine	118,982	601,098	720,080	13,448,466	13,037,816
Pierre-Olivier Bouée	–	73,307	73,307	1,885,249	1,590,029
Romeo Cerutti	219,539	122,417	341,956	2,727,390	2,655,225
Peter Goerke	–	79,034	79,034	1,843,536	1,714,247
Thomas Gottstein	–	98,344	98,344	2,174,771	2,133,081
Iqbal Khan	13,358	99,516	112,874	2,098,706	2,158,502
David R. Mathers	35,063	215,170	250,233	4,793,822	4,667,037
Joachim Oechslin	17,099	97,982	115,081	2,124,889	2,125,230
Timothy P. O'Hara	29,079	579,567	608,646	13,521,795	12,570,808
Helman Sitohang	5,992	406,124	412,116	9,145,242	8,808,830
Lara Warner	29,313	158,244	187,557	3,658,283	3,432,312
Total	**468,425**	**3,208,171**	**3,676,596**	**71,744,619**	**69,585,229**

[1] Includes shares that were initially granted as deferred compensation and have vested.

Executive Board loans (audited)

The majority of loans outstanding to Executive Board members are mortgages or loans against securities. Such loans are made on the same terms available to employees under the Group's employee benefit plans. Each Executive Board member may be granted individual credit facilities or loans up to a maximum of CHF 20 million. As of December 31, 2016, 2015 and 2014, outstanding loans to Executive Board members amounted to CHF 25 million, CHF 26 million and CHF 5 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2016 was 7 and 8, respectively, and the highest loan outstanding was CHF 7 million to Mr. Gottstein.

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

▸ Refer to "Banking relationships with Board and Executive Board Members and related party transactions" in Corporate Governance for further information.

BOARD OF DIRECTORS COMPENSATION

Governance

The governance of the compensation to members of the Board is set forth in the AoA and in the OGR. The annual compensation paid to members of the Board, including the Chairman, is approved by the Board, based on the recommendation of the Compensation Committee for the period from the current AGM to the following year's AGM. The total aggregate amount of Board compensation is subject to approval by the shareholders pursuant to the Compensation Ordinance and the AoA. In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the recommendation involving his or her own compensation.

Changes to the Board composition in 2016

At the 2016 AGM, Sebastian Thrun stepped down from the Board and Alexander Gut and Joaquin J. Ribeiro were elected as new members of the Board.

Basis of determining compensation for the Board

Board members are compensated on the basis of fees, which reflect the respective Board member's role, time commitment and scope of responsibility on the Board. The fee amounts are set at levels to attract and retain highly qualified and experienced individuals, taking into consideration levels at comparable leading Swiss companies. Except for the full-time Chairman, all members of the Board receive an annual base board fee of CHF 250,000. As shown in the table below, Board members also receive annual committee fees for each committee membership.

Fees paid to Board members are in the form of cash and Group shares, which are blocked and non-transferable for a period of four years. This ensures that the interests of Board members are closely aligned to the interests of shareholders. The base board and committee membership fees are paid 50% in cash and 50% in Group shares in arrears in two equal installments, except for the Chairman and committee chairmen as described below.

Membership fees

Membership	Annual fee (in CHF)
Board of Directors – base fee	250,000
Audit Committee	150,000
Chairman's and Governance Committee	100,000
Compensation Committee	100,000
Risk Committee	100,000

Compensation of the Chairman

The Chairman's role is a full time appointment, for which he is paid an annual base board fee of CHF 3.0 million in cash (divided into 12 monthly payments) plus a chair fee of CHF 1.5 million in Group shares delivered in one installment at the end of the current board period. The Chairman is also eligible to receive benefits from and makes contributions to the Group pension fund in line with local market practice for the Group. For the period from the 2016 AGM to the 2017 AGM, the Chairman proposed to voluntarily waive 50% or CHF 0.75 million of his chair fee of CHF 1.5 million, and this proposal was approved by the Board. The total compensation paid to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs, engaging and maintaining a close working relationship with the CEO and senior management, and providing counsel and support, where appropriate. The Chairman coordinates the Board's activities, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information to perform their duties. The Chairman drives the Board agenda on key topics such as the strategic development of the Group, corporate culture, succession planning and the structure and organization of the Group. The Chairman also steers the agenda on compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the shareholder meetings and takes an active role in representing the Group to regulators and supervisors, key shareholders, investors, and other external stakeholders. Moreover, he is a member of several Swiss and international industry associations on behalf of the Group, including the Swiss Bankers Association, the Swiss Finance Council, the Institute of International Finance and the European Banking Group.

Compensation of the Lead Independent Director and the Vice-Chairs

Noreen Doyle, as Lead Independent Director and Vice-Chair, and Richard E. Thornburgh as Vice-Chair do not receive additional compensation for these roles. Both individuals are members of the Chairman's and Governance Committee, however, for which they receive an annual committee fee of CHF 100,000.

Compensation of the committee chairmen

Jean Lanier, Richard E. Thornburgh and John Tiner, each in the role of committee chairman of the Compensation, Risk and Audit Committees, respectively, receive chair fees, reflecting the greater responsibility and time commitment required to perform the role of a committee chairman, which is considered to be a significant part-time role. For 2016, the chair fee was CHF 200,000 for the chairman of the Compensation Committee, CHF 580,000 for the chairman of the Audit Committee and CHF 420,000 for the chairman of the Risk Committee. The chair fees for the Audit and Risk Committee Chairmen were adjusted downwards from the prior year to better reflect market levels for these roles and also in consideration of separate fees paid to these individuals for subsidiary board roles. These fees are fixed in advance and are not linked to the Group's financial performance. The chair fees are paid 50% in cash and 50% in Group shares in one installment at the end of the current board period. In addition to the greater time commitment required to prepare and lead the committee work, the chair fees consider the engagement of the three committee chairmen throughout the year with global regulators, shareholders, the business divisions and corporate functions and other stakeholders. Regulatory developments in the banking industry in recent years have put increasing demands on the Risk and Audit Committee chairmen, in particular, increasing the frequency of interaction with the Group's main regulators on internal control, risk, capital and other matters under the supervision of these committees. Similarly, the greater focus of shareholders and regulators on compensation has resulted in an increased number of engagements between the Compensation Committee chairman and large shareholders and shareholder groups, as well as with regulators. The Audit Committee chair fee also considers the greater number of meetings required of the Audit Committee for the review and approval of the quarterly financial results and related filings (e.g. 16 meetings and calls held during 2016) and the Audit Committee chairman's supervisory role over the Internal Audit function. The Head of Internal Audit has a direct reporting line to the Audit Committee chairman and is required to deliver regular reports to the Audit Committee. The Risk Committee chair fee considers the regular interaction required between the Risk Committee chairman and the Group chief risk officer and other senior managers in the risk management function, as well as his oversight role over the strengthened Credit Risk Review function, which reports directly to him.

▸ Refer to the table "Members of the Board and Board committees" in Corporate Governance – Board of Directors for further information.

▸ Refer to "Credit risk governance" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management – Credit risk for further information on the Credit Risk Review function.

Compensation of Board members serving on subsidiary boards

A number of Board members also serve as members on the boards of Group subsidiary companies. This practice is consistent with the Group's legal entity governance principles, which aim to foster a close alignment of the Group's governance practices and those of its significant subsidiary companies. The Group's subsidiary companies and respective board members as of December 31, 2016 were as follows:

Credit Suisse (Schweiz) AG
- Alexandre Zeller, board chair (subject to election at the 2017 AGM of the Group);
- Alexander Gut, board member and audit committee chair;
- Andreas Koopmann, board member;
- Urs Rohner, board member; and
- Severin Schwan, board member.

Credit Suisse International (CSI) / Credit Suisse Securities (Europe) Limited (CSSEL)
- Noreen Doyle, board chair.

Credit Suisse Holdings (USA) Inc.
- Richard E. Thornburgh, board chair; and
- John Tiner, board member.

With the exception of the Chairman, Board members may receive separate fees for serving on subsidiary boards, in addition to their Board fees, and are generally paid in cash. These fees are approved by the respective subsidiary boards and are subject to ratification by the Board and included in the total amount of compensation of members of the Board proposed for approval by shareholders at the AGM. The Chairman does not receive separate fees for board memberships in other Group companies, as this is considered to be included as part of the Chairman's compensation. In 2016, Board members Alexander Gut, Andreas Koopmann and Severin Schwan did not receive separate fees for their subsidiary board membership of Credit Suisse (Schweiz) AG.

Former members of the Board

Two former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Board or related parties during 2016.

Board compensation from the 2016 AGM to the 2017 AGM (audited)

in	Base board fee	Committee fee	Chair fees	Subsidiary board fees	**Total compen-sation** [1]	Awarded in cash	% of total compen-sation	Awarded in Group shares [2]	% of total compen-sation
2016 (CHF)									
Urs Rohner, Chairman [3]	3,000,000	–	750,000	–	3,980,929	3,230,929	81%	750,000	19%
Jassim Bin Hamad J.J. Al Thani [4]	250,000	–	–	–	250,000	125,000	50%	125,000	50%
Iris Bohnet [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Noreen Doyle [4, 5]	250,000	200,000	–	252,000	702,000	477,000	68%	225,000	32%
Alexander Gut	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Andreas N. Koopmann [4]	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Jean Lanier, Chairman of the Compensation Committee [4, 6]	250,000	200,000	200,000	–	650,000	325,000	50%	325,000	50%
Seraina (Maag) Macia [4]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Kai S. Nargolwala [4]	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Joaquin J. Ribeiro	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Severin Schwan [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Richard E. Thornburgh, Chairman of the Risk Committee [4, 7]	250,000	350,000	420,000	274,510	1,294,510	784,510	61%	510,000	39%
John Tiner, Chairman of the Audit Committee [4, 8]	250,000	350,000	560,000	137,255	1,297,255	717,255	55%	580,000	45%
Total	**6,000,000**	**2,150,000**	**1,930,000**	**663,765**	**10,974,694**	**7,059,694**	**64%**	**3,915,000**	**36%**

[1] At the 2016 AGM, shareholders approved a maximum amount of total compensation to be awarded to Board members until the 2017 AGM of CHF 12 million. For the total compensation awarded to members of the Board, the Group will make payments of CHF 0.5 million for the 2016/2017 Board period to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Board members based on their domicile and employment status. These contributions do not form part of the Board members' compensation.

[2] As per December 31, 2016, one-half of the Board member fees to be awarded in Group shares have been delivered to Board members. The applicable Group share price was CHF 14.39. The remaining shares will be delivered to Board members at or around the date of the 2017 AGM and the share price for this second share delivery will be determined at that time. Group shares are subject to a four-year blocking period.

[3] The chair fee of the Chairman is set at CHF 1.5 million to be awarded as 100% Group shares. For the period from the 2016 AGM to the 2017 AGM, the Chairman proposed to voluntarily waive 50% or CHF 0.75 million of his Chair fee and this proposal was approved by the Board. The total compensation of the Chairman includes benefits for the period from the 2016 to the 2017 AGM of CHF 230,929, including pension and health insurance benefits and lump sum expenses.

[4] All members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership for the period from one AGM to the next, i.e., from April 29, 2016 to April 28, 2017. Except for the Chairman, who receives his base board fee in 12 monthly installments throughout this period, Board member fees are paid in two installments of cash and Group shares, which are made approximately six and twelve months after the AGM respectively. As of the date of the 2017 AGM, these total combined fees will have been paid in cash (60%) and Group shares (40%).

[5] In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, a subsidiary board fee of GBP 200,000 (CHF 252,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited.

[6] In addition to his base board and committee fees, Jean Lanier is awarded a chair fee of CHF 200,000 as Compensation Committee Chairman; the chair fee is awarded as 50% cash and 50% Group shares.

[7] In addition to his base board and committee fees, Richard E. Thornburgh was awarded a chair fee of CHF 420,000 as Risk Committee Chairman; the chair fee was awarded as 50% cash and 50% Group shares. Furthermore, Richard E. Thornburgh was awarded a subsidiary board fee of USD 280,000 (CHF 274,510) in cash as a non-executive director and chair of Credit Suisse Holdings (USA), Inc., a US subsidiary.

[8] In addition to his base board and committee fees, John Tiner was awarded a chair fee of CHF 560,000 as Audit Committee Chairman; the chair fee was awarded as 50% cash and 50% Group shares. Furthermore, John Tiner was awarded a subsidiary board fee of USD 140,000 (CHF 137,255) in cash as a non-executive director and audit and risk committee member of Credit Suisse Holdings (USA), Inc., a US subsidiary.

Board compensation from the 2015 AGM to the 2016 AGM (audited)

in	Base board fee	Committee fee	Chair fees	Subsidiary board fees	**Total compen- sation** [1]	Awarded in cash	% of total compen- sation	Awarded in Group shares [2]	% of total compen- sation
2015 (CHF)									
Urs Rohner, Chairman [3]	3,000,000	–	–	–	3,225,956	3,225,956	100%	–	0%
Jassim Bin Hamad J.J. Al Thani [4]	250,000	–	–	–	250,000	125,000	50%	125,000	50%
Iris Bohnet [4, 5]	250,000	100,000	–	–	369,783	194,783	53%	175,000	47%
Noreen Doyle [4, 6]	250,000	250,000	–	280,000	780,000	530,000	68%	250,000	32%
Andreas N. Koopmann [4]	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Jean Lanier, Chairman of the Compensation Committee [4, 7]	250,000	200,000	200,000	–	650,000	325,000	50%	325,000	50%
Seraina (Maag) Macia [4]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Kai S. Nargolwala [4]	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Severin Schwan [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Richard E. Thornburgh, Chairman of the Risk Committee [4, 8]	250,000	350,000	583,333	116,667	1,300,000	708,333	54%	591,667	46%
Sebastian Thrun [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
John Tiner, Chairman of the Audit Committee [4, 8]	250,000	350,000	641,667	58,333	1,300,000	679,167	52%	620,833	48%
Total	**5,750,000**	**2,000,000**	**1,425,000**	**455,000**	**9,875,739**	**6,788,239**	**69%**	**3,087,500**	**31%**

1 At the 2015 AGM, shareholders approved a maximum amount of total compensation to be awarded to Board members until the 2016 AGM of CHF 12 million. For the total compensation awarded to members of the Board, the Group made payments of CHF 0.5 million in 2015 and CHF 0.6 million in 2014 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Board members based on their domicile and employment status. These contributions do not form part of the Board members' compensation.

2 As per December 31, 2015, one-half of the Board member fees to be awarded in Group shares have been delivered to Board members. The applicable Group share price was CHF 21.49. The remaining shares will be delivered to Board members at or around the date of the 2016 AGM and the share price for this second share delivery will be determined at that time. Group shares are subject to a four-year blocking period.

3 The chair fee of the Chairman is set at CHF 1.5 million to be awarded as 100% Group shares. For the period from the 2015 AGM to the 2016 AGM, the Chairman proposed to voluntarily waive his Chair fee and this proposal was approved by the Board in the context of determining compensation. The total compensation of the Chairman includes benefits received in 2015 of CHF 225,956, which included pension and health insurance benefits and lump sum expenses.

4 All members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership for the period from one AGM to the next, i.e., from April 23, 2015 to April 29, 2016. Except for the Chairman, who receives his base board fee in 12 monthly installments throughout this period, Board member fees are paid in two installments of cash and Group shares, which are made approximately six and twelve months after the AGM respectively. As of the date of the 2016 AGM, these total combined fees will have been paid in cash (69%) and Group shares (31%).

5 The total compensation of Iris Bohnet includes a payment of USD 20,000 (CHF 19,783) for a speaking engagement at a Credit Suisse sponsored event.

6 In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, a subsidiary board fee of GBP 200,000 (CHF 280,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited.

7 In addition to his base board and committee fees, Jean Lanier is awarded a chair fee of CHF 200,000 as Compensation Committee Chairman; the chair fee is awarded as 50% cash and 50% Group shares.

8 In addition to their base board and committee fees, Richard E. Thornburgh and John Tiner are each awarded a chair fee and a subsidiary board fee for a combined amount of CHF 700,000. Richard E. Thornburgh is awarded a chair fee of CHF 583,333 as Risk Committee Chairman (50% in cash, 50% in Group shares), and a subsidiary board fee of CHF 116,667 awarded in cash as a non-executive director and chair of the Group's US subsidiary, Credit Suisse Holdings (USA) Inc., to which Mr. Thornburgh was appointed in December 2015. Mr. Thornburgh did not receive separate fees during 2015 as non-executive director of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. Similarly, the fees of Mr. Tiner are also split between his fee as Audit Committee Chairman (50% cash, 50% Group shares) and a subsidiary board fee awarded in cash as non-executive director of the US subsidiary, Credit Suisse Holdings (USA) Inc., to which Mr. Tiner was appointed in December 2015. The subsidiary fee amounts disclosed above are pro-rated from December 2015 until the 2016 AGM; a full-year subsidiary fee of CHF 280,000 is foreseen for the role of Mr. Thornburgh as a non-executive director and chair and CHF 140,000 for Mr. Tiner as a non-executive director of the US subsidiary board respectively.

Utilization of Board compensation approved at the 2016 AGM

At the 2016 AGM, shareholders approved an aggregate amount of compensation to be paid to members of the Board for the period from the 2016 AGM to the 2017 AGM of CHF 12 million. Of this amount, a total of CHF 11 million will have been paid to Board members by the time of the 2017 AGM, of which CHF 10.3 million related to fees for Board membership and CHF 0.7 million related to fees paid to certain Board members for subsidiary board membership.

Board compensation proposed for approval at the 2017 AGM

Pursuant to the Compensation Ordinance and the AoA, the AGM approves on an annual basis the compensation of the Board in advance as a maximum amount for the period until the next ordinary AGM. Accordingly, the Board will submit the following proposal to the shareholders at the 2017 AGM:

Approval of the compensation of the Board for the period from the 2017 AGM to the 2018 AGM

The Board proposes to approve an aggregate amount of compensation to be paid to members of the Board for the period from the 2017 AGM to the 2018 AGM of no more than CHF 12.5 million. The total amount consists of base board fees, committee fees, chair fees, subsidiary board fees and (if applicable) pension benefits and other benefits as specified in the section "Board of Directors Compensation". The proposed amount excludes any legally required employer contributions to social security systems. The increase of CHF 0.5 million compared to the prior period is in consideration of the amount of fees to be paid to Board members who are also serving on the boards of the Group's significant subsidiary companies, in particular fees related to board membership for Credit Suisse (Schweiz) AG, for which no separate fees were paid to existing Board members in the period from the 2016 AGM to the 2017 AGM. In addition, as of the 2017 AGM and subject to his election, Mr. Alexandre Zeller, chairman of Credit Suisse (Schweiz) AG, will become a new Board member. Under the rules of the Ordinance and our AoA subsidiary board fees must be included in the maximum amount of compensation of the Board proposed for approval by shareholders at the 2017 AGM, even if these are not directly related to the performance of the respective Board roles. Of the aggregate amount proposed of CHF 12.5 million, no more than approximately CHF 11 million is intended to be paid to Board members for their Board roles and no more than approximately CHF 1.5 million is intended to be paid to Board members for their roles as board members in subsidiary companies.

Board shareholdings and loans

Board shareholdings

The table below discloses the shareholdings of the Board members, their immediate family and companies in which they have a controlling interest. As of December 31, 2016, there were no Board members with outstanding options.

Board shareholdings by individual

in	**2016**	2015
December 31 (shares) [1]		
Urs Rohner	197,861	244,868
Jassim Bin Hamad J.J. Al Thani	35,809	26,404
Iris Bohnet	38,287	25,120
Noreen Doyle	70,883	52,998
Alexander Gut	7,865	–
Andreas N. Koopmann	81,746	60,944
Jean Lanier	96,318	75,799
Seraina (Maag) Macia	19,700	4,653
Kai S. Nargolwala	226,362	209,434
Joaquin J. Ribeiro	7,865	–
Severin Schwan	82,803	65,601
Richard E. Thornburgh	225,038	194,089
John Tiner	140,910	107,866
Total	**1,231,447**	**1,067,776** [2]

[1] Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.

[2] Excludes 6,850 shares held by Sebastian Thrun as of December 31, 2015, who did not stand for re-election to the Board as of April 27, 2016.

Board loans

The majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. Each member of the Board may be granted individual credit facilities or loans up to a maximum of CHF 20 million at market conditions. As of December 31, 2016, 2015 and 2014, outstanding loans to Board members amounted to CHF 10 million, CHF 8 million and CHF 16 million, respectively.

Board members with loans, including the Chairman, do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Unless otherwise noted, all loans to Board members are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current Board members have a significant influence as defined by the SEC. Examples include holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2016, 2015 and 2014, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to "Banking relationships with Board and Executive Board Members and related party transactions" in Corporate Governance for further information.

Board loans by individual (audited)

in	2016	2015
December 31 (CHF)		
Urs Rohner	4,830,000	4,915,000
Alexander Gut	30,000	–
Andreas N. Koopmann	4,195,000	1,775,000
Seraina (Maag) Macia	976,000	984,000
Total	**10,031,000**	**7,674,000**

Includes loans to immediate family members and companies, in which the respective Board member has an ownership stake of 50% or higher.

DISCONTINUED COMPENSATION PLANS

The Group has discontinued compensation instruments with leverage components. A summary of the principal forms of awards granted in prior years, which have since been discontinued but are still outstanding, are described in the following overview. For certain plans, the Group retains the right to settle the instruments in cash or in shares at its discretion.

Principal outstanding deferred variable compensation plans

Capital Opportunity Facility (COF)

- Basis: cash-based;
- Vesting start: 94% vested at the time of conversion in February 2014;
- Vesting end: February 2016;
- Applied to: performance in 2011, as this was derived from the conversion of the 2011 Partner Asset Facility (PAF2);
- General award conditions: The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by the COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. COF awards were obtained in exchange for PAF2 awards. PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief up until December 2013. Due to regulatory changes, the capital relief was no longer available after December 31, 2013. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to either COF or CCA, or a combination thereof;
- Other award conditions or restrictions: COF holders will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021;
- Program objective/rationale: providing employees with semi-annual fixed income distributions and a potential return on the reference assets at maturity while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency.

2008 Partner Asset Facility (PAF)

- Basis: cash-based;
- Vesting start: 2008, 66.7% vested upon grant;
- Vesting end: 33.3% vested in March 2009;
- Applied to: performance in 2008, which included all managing directors and directors in the former Investment Banking division;
- General award conditions: the contractual term of a PAF award is eight years, with the final distribution in 2017. PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in the former Investment Banking division. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool as of December 31, 2008, and those assets cannot be substituted throughout the contractual term of the award or until liquidated;
- Other award conditions or restrictions: PAF holders will receive a semi-annual cash interest payment of the LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. They will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool;
- Program objective/rationale: designed to incentivize senior managers in the former Investment Banking division to effectively manage assets which were a direct result of risk taking in the former Investment Banking division during this period. As a result of the PAF program, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.

▸ Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for more information.

APPENDIX 5 — OUR FINANCIAL STATEMENTS EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2016

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed "Consolidated financial statements — Credit Suisse (Bank)" from pages 417 to 502 of the Credit Suisse annual report 2016 in this appendix 5. References to page numbers in this appendix 5 are to the pages in the Credit Suisse annual report 2016 and not to the pages in this document.

For further information on our financial statements (including the notes to such statements), we refer you to the complete Credit Suisse annual report 2016 on our website at *www.credit-suisse.com*.

VII

Consolidated financial statements – Credit Suisse (Bank)

Notes to the consolidated financial statements

Report of the Independent Registered Public Accounting Firm

Credit Suisse AG, Zurich

We have audited the accompanying consolidated balance sheets of Credit Suisse AG and subsidiaries (the "Bank") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Bank's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 24, 2017 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG AG

Nicholas Edmonds
Licensed Audit Expert
Auditor in Charge

Anthony Anzevino
Global Lead Partner

Zurich, Switzerland
March 24, 2017

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

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Consolidated financial statements

Consolidated statements of operations

	Reference to notes	2016	2015	in 2014
Consolidated statements of operations (CHF million)				
Interest and dividend income	6	16,925	18,857	18,585
Interest expense	6	(9,737)	(9,990)	(9,908)
Net interest income	6	7,188	8,867	8,677
Commissions and fees	7	10,817	11,846	12,887
Trading revenues	8	370	1,298	1,790
Other revenues	9	1,427	1,200	2,235
Net revenues		**19,802**	**23,211**	**25,589**
Provision for credit losses	10	**216**	**276**	**125**
Compensation and benefits	11	10,645	11,523	11,382
General and administrative expenses	12	9,758	8,614	9,573
Commission expenses		1,441	1,614	1,548
Goodwill impairment	20	0	3,797	0
Restructuring expenses	13	510	325	–
Total other operating expenses		11,709	14,350	11,121
Total operating expenses		**22,354**	**25,873**	**22,503**
Income/(loss) from continuing operations before taxes		**(2,768)**	**(2,938)**	**2,961**
Income tax expense	27	357	439	1,299
Income/(loss) from continuing operations		**(3,125)**	**(3,377)**	**1,662**
Income from discontinued operations, net of tax	4	0	0	102
Net income/(loss)		**(3,125)**	**(3,377)**	**1,764**
Net income/(loss) attributable to noncontrolling interests		(6)	(7)	445
Net income/(loss) attributable to shareholder		**(3,119)**	**(3,370)**	**1,319**
of which from continuing operations		(3,119)	(3,370)	1,217
of which from discontinued operations		0	0	102

Consolidated statements of comprehensive income

in	2016	2015	2014
Comprehensive income/(loss) (CHF million)			
Net income/(loss)	(3,125)	(3,377)	1,764
Gains/(losses) on cash flow hedges	(22)	24	(27)
Foreign currency translation	499	(1,147)	2,284
Unrealized gains/(losses) on securities	2	(6)	21
Actuarial gains/(losses)	210	44	58
Net prior service credit/(cost)	(1)	(14)	14
Gains/(losses) on liabilities related to credit risk	(1,083)	–	–
Other comprehensive income/(loss), net of tax	(395)	(1,099)	2,350
Comprehensive income/(loss)	**(3,520)**	**(4,476)**	**4,114**
Comprehensive income/(loss) attributable to noncontrolling interests	11	(26)	614
Comprehensive income/(loss) attributable to shareholder	**(3,531)**	**(4,450)**	**3,500**

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

Consolidated balance sheets

	Reference to notes	2016	end of 2015
Assets (CHF million)			
Cash and due from banks		118,973	90,521
of which reported at fair value		200	89
of which reported from consolidated VIEs		369	1,693
Interest-bearing deposits with banks		3,117	4,953
of which reported at fair value		26	2
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	14	135,128	123,436
of which reported at fair value		87,331	83,565
of which reported from consolidated VIEs		0	53
Securities received as collateral, at fair value		32,564	28,511
of which encumbered		30,762	27,940
Trading assets, at fair value	15	165,356	191,096
of which encumbered		52,322	62,559
of which reported from consolidated VIEs		2,744	2,372
Investment securities	16	2,192	2,698
of which reported at fair value		2,192	2,698
of which reported from consolidated VIEs		511	1,009
Other investments	17	6,488	6,787
of which reported at fair value		4,088	4,227
of which reported from consolidated VIEs		2,006	1,986
Net loans	18	259,541	254,915
of which reported at fair value		19,528	20,820
of which encumbered		132	108
of which reported from consolidated VIEs		284	1,312
allowance for loan losses		(816)	(724)
Premises and equipment	19	4,563	4,439
of which reported from consolidated VIEs		173	299
Goodwill	20	4,023	3,929
Other intangible assets	21	213	196
of which reported at fair value		138	112
Brokerage receivables		33,429	34,540
Other assets	22	36,735	57,910
of which reported at fair value		9,383	25,626
of which encumbered		257	671
of which reported from consolidated VIEs		2,616	14,450
Total assets		**802,322**	**803,931**

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

Consolidated balance sheets (continued)

	Reference to notes	2016	end of 2015
Liabilities and equity (CHF million)			
Due to banks	23	23,066	21,460
of which reported at fair value		445	490
Customer deposits	23	344,578	331,700
of which reported at fair value		3,567	3,656
of which reported from consolidated VIEs		0	0
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	14	33,016	46,598
of which reported at fair value		19,634	32,398
Obligation to return securities received as collateral, at fair value		32,564	28,511
Trading liabilities, at fair value	15	44,951	49,054
of which reported from consolidated VIEs		18	27
Short-term borrowings		15,385	8,657
of which reported at fair value		4,061	3,112
of which reported from consolidated VIEs		1	81
Long-term debt	24	187,325	192,094
of which reported at fair value		71,970	80,002
of which reported from consolidated VIEs		1,759	14,826
Brokerage payables		39,852	39,452
Other liabilities	22	39,834	41,715
of which reported at fair value		9,487	11,745
of which reported from consolidated VIEs		243	835
Total liabilities		**760,571**	**759,241**
Common shares		4,400	4,400
Additional paid-in capital		40,700	39,883
Retained earnings		8,833	12,427
Accumulated other comprehensive income/(loss)	25	(13,251)	(13,304)
Total shareholder's equity		**40,682**	**43,406**
Noncontrolling interests		1,069	1,284
Total equity		**41,751**	**44,690**
Total liabilities and equity		**802,322**	**803,931**

end of	2016	2015
Additional share information		
Par value (CHF)	1.00	1.00
Issued shares	4,399,680,200	4,399,680,200
Shares outstanding	4,399,680,200	4,399,680,200

The Bank's total share capital is fully paid and consists of 4,399,680,200 registered shares as of December 31, 2016. Each share is entitled to one vote. The Bank has no warrants on its own shares outstanding.

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

Consolidated statements of changes in equity

	Attributable to shareholder							
	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost [1]	Accumulated other comprehensive income/(loss)	**Total shareholder's equity**	Non-controlling interests	**Total equity**
2016 (CHF million)								
Balance at beginning of period	**4,400**	**39,883**	**12,427**	**0**	**(13,304)**	**43,406**	**1,284**	**44,690**
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	(13)	–	–	–	(13)	(6)	(19)
Purchase of subsidiary shares from non-controlling interests, not changing ownership [2, 3]	–	–	–	–	–	–	(118)	(118)
Sale of subsidiary shares to noncontrolling interests, not changing ownership [3]	–	–	–	–	–	–	120	120
Net income/(loss)	–	–	(3,119)	–	–	(3,119)	(6)	(3,125)
Cumulative effect of accounting changes, net of tax	–	–	(465)	–	465	–	–	–
Total other comprehensive income/(loss), net of tax	–	–	–	–	(412)	(412)	17	(395)
Share-based compensation, net of tax	–	167 [4]	–	–	–	167	–	167
Dividends on share-based compensation, net of tax	–	(41)	–	–	–	(41)	–	(41)
Dividends paid	–	–	(10)	–	–	(10)	–	(10)
Changes in scope of consolidation, net	–	2	–	–	–	2	(194)	(192)
Other	–	702	–	–	–	702	(28)	674
Balance at end of period	**4,400**	**40,700**	**8,833**	**0**	**(13,251)**	**40,682**	**1,069**	**41,751**
2015 (CHF million)								
Balance at beginning of period	**4,400**	**34,842**	**15,877**	**0**	**(12,224)**	**42,895**	**1,746**	**44,641**
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(434)	(434)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	57	57
Net income/(loss)	–	–	(3,370)	–	–	(3,370)	(7)	(3,377)
Total other comprehensive income/(loss), net of tax	–	–	–	–	(1,080)	(1,080)	(19)	(1,099)
Share-based compensation, net of tax	–	(436)	–	–	–	(436)	–	(436)
Dividends on share-based compensation, net of tax	–	(12)	–	–	–	(12)	–	(12)
Dividends paid	–	–	(80)	–	–	(80)	–	(80)
Changes in scope of consolidation, net	–	–	–	–	–	–	(57)	(57)
Other	–	5,489	–	–	–	5,489	(2)	5,487
Balance at end of period	**4,400**	**39,883**	**12,427**	**0**	**(13,304)**	**43,406**	**1,284**	**44,690**

1 Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations.
2 Distributions to owners in funds include the return of original capital invested and any related dividends.
3 Transactions with and without ownership changes related to fund activity are all displayed under “not changing ownership”.
4 Includes a net tax charge of CHF (110) million from the excess recognized compensation expense over fair value of shares delivered.

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

Consolidated statements of changes in equity (continued)

	Attributable to shareholder							
2014 (CHF million)	Common shares/ participation securities	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income/ (loss)	**Total shareholder's equity**	Non-controlling interests	**Total equity**
Balance at beginning of period	**4,400**	**34,851**	**14,621**	**0**	**(14,405)**	**39,467**	**4,165**	**43,632**
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	26	–	–	–	26	–	26
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(578)	(578)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	40	40
Net income/(loss)	–	–	1,319	–	–	1,319	445	1,764
Total other comprehensive income/(loss), net of tax	–	–	–	–	2,181	2,181	169	2,350
Share-based compensation, net of tax	–	(61)	–	–	–	(61)	–	(61)
Dividends on share-based compensation, net of tax	–	(44)	–	–	–	(44)	–	(44)
Dividends paid	–	–	(63)	–	–	(63)	(21)	(84)
Changes in redeemable noncontrolling interests	–	2	–	–	–	2	–	2
Changes in scope of consolidation, net	–	–	–	–	–	–	(2,477)	(2,477)
Other	–	68	–	–	–	68	3	71
Balance at end of period	**4,400**	**34,842**	**15,877**	**0**	**(12,224)**	**42,895**	**1,746**	**44,641**

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

Consolidated statements of cash flows

in	2016	2015	2014
Operating activities of continuing operations (CHF million)			
Net income/(loss)	**(3,125)**	**(3,377)**	**1,764**
(Income)/loss from discontinued operations, net of tax	0	0	(102)
Income/(loss) from continuing operations	**(3,125)**	**(3,377)**	**1,662**
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)			
Impairment, depreciation and amortization	926	4,879	1,276
Provision for credit losses	216	276	125
Deferred tax provision/(benefit)	(233)	2	619
Share of net income/(loss) from equity method investments	(12)	(101)	147
Trading assets and liabilities, net	21,218	26,141	(5,096)
(Increase)/decrease in other assets	9,740	11,367	6,483
Increase/(decrease) in other liabilities	(1,019)	(22,312)	(24,146)
Other, net	(911)	(1,950)	730
Total adjustments	29,925	18,302	(19,862)
Net cash provided by/(used in) operating activities of continuing operations	**26,800**	**14,925**	**(18,200)**
Investing activities of continuing operations (CHF million)			
(Increase)/decrease in interest-bearing deposits with banks	1,858	(929)	(727)
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(6,958)	36,578	11,677
Purchase of investment securities	(88)	(376)	(1,060)
Proceeds from sale of investment securities	14	19	118
Maturities of investment securities	271	887	187
Investments in subsidiaries and other investments	(1,345)	(555)	(1,228)
Proceeds from sale of other investments	1,693	1,895	1,519
(Increase)/decrease in loans	(5,353)	(3,941)	(23,690)
Proceeds from sales of loans	2,468	1,579	1,255
Capital expenditures for premises and equipment and other intangible assets	(1,155)	(1,087)	(1,043)
Proceeds from sale of premises and equipment and other intangible assets	55	13	1
Other, net	676	402	601
Net cash provided by/(used in) investing activities of continuing operations	**(7,864)**	**34,485**	**(12,390)**

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

Consolidated statements of cash flows (continued)

in	2016	2015	2014
Financing activities of continuing operations (CHF million)			
Increase/(decrease) in due to banks and customer deposits	9,865	(28,757)	27,137
Increase/(decrease) in short-term borrowings	6,594	(18,148)	3,509
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(14,525)	(22,149)	(31,001)
Issuances of long-term debt	51,956	76,883	74,150
Repayments of long-term debt	(46,616)	(48,919)	(37,871)
Dividends paid	(10)	(10)	(84)
Other, net	1,040	4,789	(488)
Net cash provided by/(used in) financing activities of continuing operations	**8,304**	**(36,311)**	**35,352**
Effect of exchange rate changes on cash and due from banks (CHF million)			
Effect of exchange rate changes on cash and due from banks	**1,212**	**(578)**	**5,617**
Net cash provided by/(used in) discontinued operations (CHF million)			
Net cash provided by/(used in) discontinued operations	**0**	**0**	**(460)**
Net increase/(decrease) in cash and due from banks (CHF million)			
Net increase/(decrease) in cash and due from banks	**28,452**	**12,521**	**9,919**
Cash and due from banks at beginning of period	90,521	78,000	68,081
Cash and due from banks at end of period	**118,973**	**90,521**	**78,000**

Supplemental cash flow information

in	2016	2015	2014
Cash paid for income taxes and interest (CHF million)			
Cash paid for income taxes	611	946	1,455
Cash paid for interest	9,059	10,158	9,419
Assets acquired and liabilities assumed in business acquisitions (CHF million)			
Fair value of assets acquired	0	3	143
Fair value of liabilities assumed	0	0	29
Assets and liabilities sold in business divestitures (CHF million)			
Assets sold	425	35	687
Liabilities sold	383	7	1,084

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse AG (the Bank), the direct bank subsidiary of Credit Suisse Group AG (the Group), are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Bank ends on December 31. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation which had no impact on net income/(loss) or total shareholders' equity.

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

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for a summary of significant accounting policies, with the exception of the following accounting policies.

Pensions and other post-retirement benefits

Credit Suisse sponsors a Group defined benefit pension plan in Switzerland that covers eligible employees of the Bank domiciled in Switzerland. The Bank also has single-employer defined benefit pension plans and defined contribution pension plans in Switzerland and other countries around the world.

For the Bank's participation in the Group defined benefit pension plan, no retirement benefit obligation is recognized in the consolidated balance sheets of the Bank and defined contribution accounting is applied, as the Bank is not the sponsoring entity of the Group plan.

For single-employer defined benefit plans, the Bank uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Bank management. For example, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Bank's own historical trends for health care costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Bank's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement benefit costs on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Bank records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

Own shares, own bonds and financial instruments on Group shares

The Bank's shares are wholly-owned by Credit Suisse Group AG and are not subject to trading. The Bank may buy and sell Credit Suisse Group AG shares (Group shares), own bonds and financial instruments on Group shares within its normal trading and market-making activities. In addition, the Bank may hold Group shares to economically hedge commitments arising from employee share-based compensation awards. Group shares are reported as trading assets, unless those shares are held to economically hedge share award obligations. Hedging shares are reported as treasury shares, resulting in a reduction to total shareholder's equity. Financial instruments on Group shares are recorded as assets or liabilities and carried at fair value. Dividends received on Group shares and unrealized and realized gains and losses on Group shares are recorded according to the classification of the shares as trading assets or treasury shares. Purchases of bonds originally issued by the Bank are recorded as an extinguishment of debt.

2 Recently issued accounting standards

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group for recently adopted accounting standards and standards to be adopted in future periods.

The impact on the Bank's and Group's financial position, results of operations or cash flows was or is expected to be identical.

3 Business developments, significant shareholders and subsequent events

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information.

4 Discontinued operations

There were no operations that were discontinued in 2016 and 2015.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group for further information.

Income/(loss) from discontinued operations

in	2014
Operations-related (CHF million)	
Net revenues	**31**
of which German private banking business	27
Operating expenses	35
of which German private banking business	33
Income tax expense/(benefit)	1
Income/(loss), net of tax	**(5)**
of which German private banking business	(6)
Transaction-related (CHF million)	
Gain on disposal	**200**
of which German private banking business	109
of which CFIG	91
Operating expenses	54
of which German private banking business	48
Income tax expense/(benefit)	39
of which CFIG	42
Income/(loss), net of tax	**107**
of which German private banking business	61
of which CFIG	49
Discontinued operations – total (CHF million)	
Income/(loss) from discontinued operations, net of tax	**102**
of which German private banking business	55
of which CFIG	49

5 Segment information

For the purposes of the presentation of reportable segments, the Bank has included accounts of affiliate entities wholly owned by the same parent which are managed together with the operating segments of the Bank. These affiliate entities include certain bank and trust affiliates, primarily managed by Swiss Universal Bank. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for the years ended December 31, 2016, 2015 and 2014 was CHF 239 million, CHF 279 million and CHF 264 million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 605 million, CHF 644 million and CHF 656 million, respectively, and total assets of these non-consolidated affiliate entities included in the segment presentation as of December 31, 2016 and 2015, were CHF 27.1 billion and CHF 27.6 billion, respectively.

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

Net revenues and income/(loss) from continuing operations before taxes

in	**2016**	2015	2014
Net revenues (CHF million)			
Swiss Universal Bank	5,759	5,721	5,912
International Wealth Management	4,698	4,552	4,942
Asia Pacific	3,597	3,839	3,335
Global Markets	5,497	6,826	7,426
Investment Banking & Capital Markets	1,972	1,787	2,109
Strategic Resolution Unit	(1,271)	511	1,838
Adjustments [1]	(450)	(25)	27
Net revenues	**19,802**	**23,211**	**25,589**
Income/(loss) before taxes (CHF million)			
Swiss Universal Bank	2,025	1,675	2,024
International Wealth Management	1,121	723	1,260
Asia Pacific	725	377	900
Global Markets	48	(1,931)	2,014
Investment Banking & Capital Markets	261	(314)	511
Strategic Resolution Unit	(5,759)	(2,652)	(3,107)
Adjustments [1]	(1,189)	(816)	(641)
Income/(loss) from continuing operations before taxes	**(2,768)**	**(2,938)**	**2,961**

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

Total assets

end of	**2016**	2015
Total assets (CHF million)		
Swiss Universal Bank	228,363	220,359
International Wealth Management	91,083	96,085
Asia Pacific	97,221	85,929
Global Markets	239,700	234,276
Investment Banking & Capital Markets	20,784	18,712
Strategic Resolution Unit	80,297	100,823
Adjustments [1]	44,874	47,747
Total assets	**802,322**	**803,931**

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

Net revenues and income/(loss) from continuing operations before taxes by geographic location

in	2016	2015	2014
Net revenues (CHF million)			
Switzerland	7,894	7,967	7,585
EMEA	2,036	3,819	4,301
Americas	7,267	8,514	11,173
Asia Pacific	2,605	2,911	2,530
Net revenues	**19,802**	**23,211**	**25,589**
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	1,677	1,315	(179)
EMEA	(2,487)	(1,493)	(621)
Americas	(1,602)	(2,909)	3,723
Asia Pacific	(356)	149	38
Income/(loss) from continuing operations before taxes	**(2,768)**	**(2,938)**	**2,961**

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Bank is managed.

Total assets by geographic location

end of	2016	2015
Total assets (CHF million)		
Switzerland	231,042	204,715
EMEA	156,484	162,093
Americas	333,115	355,481
Asia Pacific	81,681	81,642
Total assets	**802,322**	**803,931**

The designation of total assets by region is based upon customer domicile.

6 Net interest income

in	2016	2015	2014
Net interest income (CHF million)			
Loans	5,203	4,957	4,606
Investment securities	59	63	27
Trading assets	7,483	9,045	9,507
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,765	2,622	2,317
Other	1,415	2,170	2,128
Interest and dividend income	16,925	18,857	18,585
Deposits	(1,026)	(864)	(1,035)
Short-term borrowings	(84)	(105)	(119)
Trading liabilities	(3,602)	(3,855)	(3,938)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,387)	(1,264)	(1,042)
Long-term debt	(3,437)	(3,696)	(3,484)
Other	(201)	(206)	(290)
Interest expense	(9,737)	(9,990)	(9,908)
Net interest income	**7,188**	**8,867**	**8,677**

7 Commissions and fees

in	2016	2015	2014
Commissions and fees (CHF million)			
Lending business	1,763	1,532	1,711
Investment and portfolio management	3,017	3,319	3,630
Other securities business	60	66	94
Fiduciary business	3,077	3,385	3,724
Underwriting	1,364	1,659	1,911
Brokerage	2,999	3,616	3,669
Underwriting and brokerage	4,363	5,275	5,580
Other services	1,614	1,654	1,872
Commissions and fees	**10,817**	**11,846**	**12,887**

8 Trading revenues

in	2016	2015	2014
Trading revenues (CHF million)			
Interest rate products	6,232	2,947	5,661
Foreign exchange products	(2,531)	(1,127)	(4,405)
Equity/index-related products	(1,738)	(276)	273
Credit products	(2,124)	1	265
Commodity and energy products	177	(46)	(228)
Other products	354	(201)	224
Total	**370**	**1,298**	**1,790**

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to “Note 8 – Trading revenues” in V – Consolidated financial statements – Credit Suisse Group for further information.

9 Other revenues

in	2016	2015	2014
Other revenues (CHF million)			
Noncontrolling interests without SEI	0	3	451
Loans held-for-sale	(51)	(19)	(4)
Long-lived assets held-for-sale	428 [1]	34	391
Equity method investments	154	210	239
Other investments	7	147	276
Other	889	825	882
Other revenues	**1,427**	**1,200**	**2,235**

[1] Primarily reflects gains from the sale of real estate.

10 Provision for credit losses

in	2016	2015	2014
Provision for credit losses (CHF million)			
Provision for loan losses	213	248	85
Provision for lending-related and other exposures	3	28	40
Provision for credit losses	**216**	**276**	**125**

11 Compensation and benefits

in	2016	2015	2014
Compensation and benefits (CHF million)			
Salaries and variable compensation	8,952	9,826	9,685
Social security	681	771	775
Other [1]	1,012	926	922
Compensation and benefits	**10,645**	**11,523**	**11,382**

1 Includes pension and other post-retirement expense of CHF 688 million, CHF 579 million and CHF 624 million in 2016, 2015 and 2014, respectively.

12 General and administrative expenses

in	2016	2015	2014
General and administrative expenses (CHF million)			
Occupancy expenses	988	1,004	1,161
IT, machinery, etc.	1,150	1,254	1,436
Provisions and losses	3,009	1,157	2,782
Travel and entertainment	312	366	339
Professional services	2,936	3,188	2,338
Amortization and impairment of other intangible assets	8	19	24
Other	1,355	1,626	1,493
General and administrative expenses	**9,758**	**8,614**	**9,573**

13 Restructuring expenses

▸ Refer to "Note 13 – Restructuring expenses" in V – Consolidated financial statements – Credit Suisse Group for further information.

In connection with the strategic review of the Bank, restructuring expenses of CHF 510 million and CHF 325 million were recognized in 2016 and 2015, respectively.

Restructuring expenses by segment

in	2016	2015
Restructuring expenses by segment (CHF million)		
Swiss Universal Bank	60	42
International Wealth Management	54	36
Asia Pacific	53	3
Global Markets	217	96
Investment Banking & Capital Markets	28	22
Strategic Resolution Unit	121	156
Corporate Center	7	0
Adjustments [1]	(30)	(30)
Total restructuring expenses	**510**	**325**

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa.

Restructuring expenses by type

in	2016	2015
Restructuring expenses by type (CHF million)		
Compensation and benefits-related expenses	355	279
of which severance expenses	215	191
of which accelerated deferred compensation	140	87
of which pension expenses	0	1
General and administrative-related expenses	155	46
Total restructuring expenses	**510**	**325**

Restructuring provision

			2016			2015
	Compensation and benefits	General and administrative expenses	Total	Compensation and benefits	General and administrative expenses	Total
Restructuring provision (CHF million)						
Balance at beginning of period	**187**	**12**	**199**	**0**	**0**	**0**
Net additional charges [1]	215	137	352	191	46	237
Utilization	(186)	(55)	(241)	(4)	(34)	(38)
Balance at end of period	**216**	**94**	**310**	**187**	**12**	**199**

[1] The following items for which expense accretion was accelerated in 2016 and 2015 due to the restructuring of the Bank are not included in the restructuring provision: unsettled share-based compensation of CHF 34 million and CHF 23 million and unsettled pension obligations of CHF 0 million and CHF 1 million, respectively, which remain classified as a component of total shareholder's equity; and unsettled cash-based deferred compensation of CHF 106 million and CHF 64 million, respectively, which remain classified as compensation liabilities; and accelerated accumulated depreciation and impairment of CHF 18 million and CHF 0 million, respectively, which remain classified as premises and equipment. The settlement date for the unsettled share-based compensation remains unchanged at three years.

14 Securities borrowed, lent and subject to repurchase agreements

end of	2016	2015
Securities borrowed or purchased under agreements to resell (CHF million)		
Central bank funds sold and securities purchased under resale agreements	81,802	78,861
Deposits paid for securities borrowed	53,326	44,575
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**135,128**	**123,436**
Securities lent or sold under agreements to repurchase (CHF million)		
Central bank funds purchased and securities sold under repurchase agreements	26,106	36,754
Deposits received for securities lent	6,910	9,844
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**33,016**	**46,598**

▸ Refer to "Note 15 – Securities borrowed, lent and subject to repurchase agreements" in V – Consolidated financial statements – Credit Suisse Group for further information.

15 Trading assets and liabilities

end of	2016	2015
Trading assets (CHF million)		
Debt securities	65,675	80,546
Equity securities	63,873	71,102
Derivative instruments [1]	26,978	28,579
Other	8,830	10,869
Trading assets	**165,356**	**191,096**
Trading liabilities (CHF million)		
Short positions	24,587	25,509
Derivative instruments [1]	20,364	23,545
Trading liabilities	**44,951**	**49,054**

[1] Amounts shown after counterparty and cash collateral netting.

Cash collateral on derivative instruments

end of	2016	2015
Cash collateral – netted (CHF million) [1]		
Cash collateral paid	33,615	32,127
Cash collateral received	23,007	22,027
Cash collateral – not netted (CHF million) [2]		
Cash collateral paid	5,701	7,987
Cash collateral received	11,497	13,991

[1] Recorded as cash collateral netting on derivative instruments in Note 26 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 22 – Other assets and other liabilities.

16 Investment securities

end of	2016	2015
Investment securities (CHF million)		
Securities available-for-sale	2,192	2,698
Total investment securities	**2,192**	**2,698**

Investment securities by type

end of				2016				2015
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investment securities by type (CHF million)								
Debt securities issued by foreign governments	1,279	31	0	1,310	1,292	30	0	1,322
Corporate debt securities	283	0	0	283	281	0	0	281
Residential mortgage-backed securities	497	0	0	497	750	0	0	750
Commercial mortgage-backed securities	14	0	0	14	259	0	0	259
Debt securities available-for-sale	2,073	31	0	2,104	2,582	30	0	2,612
Banks, trust and insurance companies	65	23	0	88	65	20	0	85
Industry and all other	0	0	0	0	1	0	0	1
Equity securities available-for-sale	65	23	0	88	66	20	0	86
Securities available-for-sale	**2,138**	**54**	**0**	**2,192**	**2,648**	**50**	**0**	**2,698**

Proceeds from sales, realized gains and realized losses from available-for-sale securities

in		2016		2015		2014
	Debt securities	Equity securities	Debt securities	Equity securities	Debt securities	Equity securities
Additional information (CHF million)						
Proceeds from sales	9	4	1	17	103	15
Realized gains	0	0	0	2	0	1

Amortized cost, fair value and average yield of debt securities

			Debt securities available-for-sale
end of	Amortized cost	Fair value	Average yield (in %)
2016 (CHF million)			
Due within 1 year	436	437	0.07
Due from 1 to 5 years	1,126	1,156	0.99
Due from 5 to 10 years	0	0	–
Due after 10 years	511	511	4.41
Total debt securities	**2,073**	**2,104**	**1.64**

17 Other investments

end of	2016	2015
Other investments (CHF million)		
Equity method investments	2,918	2,728
Non-marketable equity securities [1]	1,672	1,951
Real estate held for investment [2]	241	375
Life finance instruments [3]	1,657	1,733
Total other investments	**6,488**	**6,787**

[1] Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee.
[2] As of December 31, 2016 and 2015, real estate held for investment included foreclosed or repossessed real estate of CHF 29 million and CHF 37 million, respectively, of which CHF 27 million and CHF 36 million, respectively were related to residential real estate.
[3] Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities include investments in entities that regularly calculate net asset value per share or its equivalent.

▸ Refer to "Note 34 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Bank performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 31 million, CHF 21 million and CHF 10 million were recorded in 2016, 2015 and 2014, respectively.

Accumulated depreciation related to real estate held for investment amounted to CHF 340 million, CHF 319 million and CHF 304 million for 2016, 2015 and 2014, respectively.

▸ Refer to "Note 18 – Other investments" in V – Consolidated financial statements – Credit Suisse Group for further information.

18 Loans, allowance for loan losses and credit quality

end of	2016	2015
Loans (CHF million)		
Mortgages	89,800	88,566
Loans collateralized by securities	37,087	37,833
Consumer finance	825	1,092
Consumer	127,712	127,491
Real estate	23,188	23,561
Commercial and industrial loans	81,048	74,967
Financial institutions	24,501	26,375
Governments and public institutions	4,093	3,445
Corporate & institutional	132,830	128,348
Gross loans	**260,542**	**255,839**
of which held at amortized cost	241,014	235,019
of which held at fair value	19,528	20,820
Net (unearned income)/deferred expenses	(185)	(200)
Allowance for loan losses	(816)	(724)
Net loans	**259,541**	**254,915**
Gross loans by location (CHF million)		
Switzerland	142,356	137,729
Foreign	118,186	118,110
Gross loans	**260,542**	**255,839**
Impaired loan portfolio (CHF million)		
Non-performing loans	1,076	810
Non-interest-earning loans	248	251
Total non-performing and non-interest-earning loans	1,324	1,061
Restructured loans	358	282
Potential problem loans	545	373
Total other impaired loans	903	655
Gross impaired loans	**2,227**	**1,716**

Allowance for loan losses

			2016			2015			2014
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)									
Balance at beginning of period	**113**	**611**	**724**	**131**	**466**	**597**	**134**	**557**	**691**
Net movements recognized in statements of operations	27	186	213	21	227	248	7	78	85
Gross write-offs	(29)	(189)	(218)	(51)	(107)	(158)	(35)	(232)	(267)
Recoveries	8	53	61	6	16	22	12	24	36
Net write-offs	(21)	(136)	(157)	(45)	(91)	(136)	(23)	(208)	(231)
Provisions for interest	11	8	19	7	12	19	3	19	22
Foreign currency translation impact and other adjustments, net	0	17	17	(1)	(3)	(4)	10	20	30
Balance at end of period	**130**	**686**	**816**	**113**	**611**	**724**	**131**	**466**	**597**
of which individually evaluated for impairment	105	505	610	84	455	539	104	309	413
of which collectively evaluated for impairment	25	181	206	29	156	185	27	157	184
Gross loans held at amortized cost (CHF million)									
Balance at end of period	**127,689**	**113,325**	**241,014**	**127,471**	**107,548**	**235,019**	**125,804**	**107,974**	**233,778**
of which individually evaluated for impairment [1]	507	1,720	2,227	468	1,248	1,716	393	739	1,132
of which collectively evaluated for impairment	127,182	111,605	238,787	127,003	106,300	233,303	125,411	107,235	232,646

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

Purchases, reclassifications and sales

in			2016			2015			2014
	Consumer	Corporate & institutional	**Total**	Consumer	Corporate & institutional	**Total**	Consumer	Corporate & institutional	**Total**
Loans held at amortized cost (CHF million)									
Purchases [1]	30	3,405	**3,435**	389	4,294	**4,683**	181	4,127	**4,308**
Reclassifications from loans held-for-sale [2]	0	125	**125**	0	355	**355**	0	397	**397**
Reclassifications to loans held-for-sale [3]	1,632	2,768	**4,400**	1,641	735	**2,376**	1,055	806	**1,861**
Sales [3]	72	2,087	**2,159**	0	373	**373**	0	272	**272**

[1] Includes drawdowns under purchased loan commitments.
[2] 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.

Gross loans held at amortized cost by internal counterparty rating

	Investment grade		Non-investment grade	
end of	AAA to BBB	BB to C	D	**Total**
2016 (CHF million)				
Mortgages	81,986	7,654	160	89,800
Loans collateralized by securities	33,961	2,910	216	37,087
Consumer finance	523	214	65	802
Consumer	116,470	10,778	441	127,689
Real estate	17,856	4,808	64	22,728
Commercial and industrial loans	35,316	34,473	1,392	71,181
Financial institutions	16,297	1,865	107	18,269
Governments and public institutions	1,074	59	14	1,147
Corporate & institutional	70,543	41,205	1,577	113,325
Gross loans held at amortized cost	**187,013**	**51,983**	**2,018**	**241,014**
Value of collateral [1]	167,425	44,785	1,386	213,596
2015 (CHF million)				
Mortgages	79,664	8,697	205	88,566
Loans collateralized by securities	36,028	1,667	138	37,833
Consumer finance	743	231	98	1,072
Consumer	116,435	10,595	441	127,471
Real estate	17,717	4,995	77	22,789
Commercial and industrial loans	31,720	30,898	802	63,420
Financial institutions	17,445	2,951	149	20,545
Governments and public institutions	691	103	0	794
Corporate & institutional	67,573	38,947	1,028	107,548
Gross loans held at amortized cost	**184,008**	**49,542**	**1,469**	**235,019**
Value of collateral [1]	166,086	41,583	957	208,626

[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 Bank's risk management policies and directives, with maximum review periods determined by property type, market liquidity and market transparency.

Gross loans held at amortized cost – aging analysis

	Current	Past due					
end of		Up to 30 days	31-60 days	61-90 days	More than 90 days	Total	**Total**
2016 (CHF million)							
Mortgages	87,719	1,862	29	33	157	2,081	89,800
Loans collateralized by securities	36,772	93	1	1	220	315	37,087
Consumer finance	512	219	12	26	33	290	802
Consumer	125,003	2,174	42	60	410	2,686	127,689
Real estate	22,065	582	17	2	62	663	22,728
Commercial and industrial loans	69,379	828	124	130	720	1,802	71,181
Financial institutions	18,116	49	0	0	104	153	18,269
Governments and public institutions	1,088	44	1	0	14	59	1,147
Corporate & institutional	110,648	1,503	142	132	900	2,677	113,325
Gross loans held at amortized cost	**235,651**	**3,677**	**184**	**192**	**1,310**	**5,363**	**241,014**
2015 (CHF million) [1]							
Mortgages	87,150	1,288	10	0	118	1,416	88,566
Loans collateralized by securities	37,438	214	7	1	173	395	37,833
Consumer finance	913	120	7	19	13	159	1,072
Consumer	125,501	1,622	24	20	304	1,970	127,471
Real estate	22,325	407	3	1	53	464	22,789
Commercial and industrial loans	62,317	575	103	68	357	1,103	63,420
Financial institutions	20,306	84	45	2	108	239	20,545
Governments and public institutions	793	1	0	0	0	1	794
Corporate & institutional	105,741	1,067	151	71	518	1,807	107,548
Gross loans held at amortized cost	**231,242**	**2,689**	**175**	**91**	**822**	**3,777**	**235,019**

[1] Prior period has been corrected.

Gross impaired loans by category

	Non-performing and non-interest earning loans			Other impaired loans			
end of	Non-performing	Non-interest-earning	Total	Re-structured	Potential problem	Total	**Total**
2016 (CHF million)							
Mortgages	172	10	182	13	22	35	217 [1]
Loans collateralized by securities	193	17	210	0	13	13	223
Consumer finance	62	4	66	0	1	1	67
Consumer	427	31	458	13	36	49	507
Real estate	62	5	67	0	0	0	67
Commercial and industrial loans	515	166	681	345	482	827	1,508
Financial institutions	58	46	104	0	27	27	131
Governments and public institutions	14	0	14	0	0	0	14
Corporate & institutional	649	217	866	345	509	854	1,720
Gross impaired loans	**1,076**	**248**	**1,324**	**358**	**545**	**903**	**2,227**
2015 (CHF million)							
Mortgages	173	13	186	18	25	43	229 [1]
Loans collateralized by securities	108	27	135	0	3	3	138
Consumer finance	77	23	100	0	1	1	101
Consumer	358	63	421	18	29	47	468
Real estate	51	19	70	0	11	11	81
Commercial and industrial loans	314	119	433	263	298	561	994
Financial institutions	87	50	137	1	35	36	173
Corporate & institutional	452	188	640	264	344	608	1,248
Gross impaired loans	**810**	**251**	**1,061**	**282**	**373**	**655**	**1,716**

[1] As of December 31, 2016 and 2015, CHF 54 million and CHF 57 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

As of December 31, 2016 and 2015, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2016 and 2015, the Bank did not have any material commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

Gross impaired loan details

end of			2016			2015
	Recorded investment	Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance	Associated specific allowance
Gross impaired loan detail (CHF million)						
Mortgages	182	170	16	163	153	19
Loans collateralized by securities	209	193	54	117	112	14
Consumer finance	59	55	35	94	88	51
Consumer	450	418	105	374	353	84
Real estate	46	40	7	57	52	7
Commercial and industrial loans	1,224	1,197	452	760	745	365
Financial institutions	126	122	46	171	166	83
Governments and public institutions	14	14	0	0	0	0
Corporate & institutional	1,410	1,373	505	988	963	455
Gross impaired loans with a specific allowance	**1,860**	**1,791**	**610**	**1,362**	**1,316**	**539**
Mortgages	35	35	–	66	65	–
Loans collateralized by securities	14	14	–	21	22	–
Consumer finance	8	8	–	7	7	–
Consumer	57	57	–	94	94	–
Real estate	21	21	–	24	24	–
Commercial and industrial loans	284	284	–	234	234	–
Financial institutions	5	5	–	2	2	–
Corporate & institutional	310	310	–	260	260	–
Gross impaired loans without specific allowance	**367**	**367**	**–**	**354**	**354**	**–**
Gross impaired loans	**2,227**	**2,158**	**610**	**1,716**	**1,670**	**539**
of which consumer	507	475	105	468	447	84
of which corporate & institutional	1,720	1,683	505	1,248	1,223	455

Gross impaired loan details (continued)

in			2016			2015			2014
	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)
Gross impaired loan detail (CHF million)									
Mortgages	158	2	1	152	1	1	163	2	2
Loans collateralized by securities	153	1	1	82	0	0	65	1	1
Consumer finance	83	1	1	92	1	1	81	1	1
Consumer	394	4	3	326	2	2	309	4	4
Real estate	52	1	0	67	0	0	74	0	0
Commercial and industrial loans	984	10	4	566	7	1	597	10	4
Financial institutions	154	1	0	149	1	1	127	0	0
Governments and public institutions	5	0	0	0	0	0	5	0	0
Corporate & institutional	1,195	12	4	782	8	2	803	10	4
Gross impaired loans with a specific allowance	**1,589**	**16**	**7**	**1,108**	**10**	**4**	**1,112**	**14**	**8**
Mortgages	76	3	0	46	3	0	30	5	0
Loans collateralized by securities	24	0	0	33	0	0	29	1	1
Consumer finance	11	0	0	7	0	0	21	0	0
Consumer	111	3	0	86	3	0	80	6	1
Real estate	31	1	0	9	1	0	9	4	0
Commercial and industrial loans	301	7	1	97	3	0	17	3	0
Financial institutions	5	0	0	4	0	0	0	0	0
Governments and public institutions	5	0	0	0	0	0	0	0	0
Corporate & institutional	342	8	1	110	4	0	26	7	0
Gross impaired loans without specific allowance	**453**	**11**	**1**	**196**	**7**	**0**	**106**	**13**	**1**
Gross impaired loans	**2,042**	**27**	**8**	**1,304**	**17**	**4**	**1,218**	**27**	**9**
of which consumer	505	7	3	412	5	2	389	10	5
of which corporate & institutional	1,537	20	5	892	12	2	829	17	4

Restructured loans held at amortized cost

in			2016			2015			2014
	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification
Restructured loans (CHF million, except where indicated)									
Mortgages	0	0	0	1	13	13	1	4	4
Loans collateralized by securities	0	0	0	1	0	0	0	0	0
Commercial and industrial loans	16	201	201	13	207	210	10	290	238
Financial institutions	0	0	0	1	2	2	0	0	0
Total	**16**	**201**	**201**	**16**	**222**	**225**	**11**	**294**	**242**

In 2015, the Bank reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 2016 and 2014, the Bank did not experience a default of such loans.

In 2016, the loan modifications of the Bank included extended loan repayment and interest payment terms including the suspension of annual contractual credit limit reductions, cash margin requirements on new trade finance transactions, waiver of covenants, release of cash collateral and corporate guarantees, waiver of interest and margin reductions.

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for further information.

19 Premises and equipment

end of	2016	2015
Premises and equipment (CHF million)		
Buildings and improvements	2,041	2,110
Land	313	394
Leasehold improvements	2,146	2,045
Software	6,651	5,889
Equipment	2,035	1,946
Premises and equipment	**13,186**	**12,384**
Accumulated depreciation	(8,623)	(7,945)
Total premises and equipment, net	**4,563**	**4,439**

Depreciation and impairment

in	2016	2015	2014
CHF million			
Depreciation	875	1,002	1,224
Impairment	25	24	23

20 Goodwill

Goodwill

2016	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Bank
Gross amount of goodwill (CHF million)							
Balance at beginning of period	**496**	**1,511**	**2,046**	**2,838**	**917**	**12**	**7,820**
Goodwill acquired during the year	5	0	0	0	0	0	**5**
Foreign currency translation impact	9	32	34	4	16	0	**95**
Other	0	7	(13)	0	0	0	**(6)**
Balance at end of period	**510**	**1,550**	**2,067**	**2,842**	**933**	**12**	**7,914**
Accumulated impairment (CHF million)							
Balance at beginning of period	**0**	**0**	**772**	**2,719**	**388**	**12**	**3,891**
Balance at end of period	**0**	**0**	**772**	**2,719**	**388**	**12**	**3,891**
Net book value (CHF million)							
Net book value	**510**	**1,550**	**1,295**	**123**	**545**	**0**	**4,023**

Goodwill (continued)

2015	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	**Bank**
Gross amount of goodwill (CHF million)							
Balance at beginning of period	**499**	**1,518**	**2,058**	**2,853**	**920**	**12**	**7,860**
Foreign currency translation impact	(2)	(7)	(4)	(4)	0	0	**(17)**
Other	(1)	0	(8)	(11)	(3)	0	**(23)**
Balance at end of period	**496**	**1,511**	**2,046**	**2,838**	**917**	**12**	**7,820**
Accumulated impairment (CHF million)							
Balance at beginning of period	**0**	**0**	**16**	**58**	**8**	**12**	**94**
Impairment losses	0	0	756	2,661	380	0	3,797
Balance at end of period	**0**	**0**	**772**	**2,719**	**388**	**12**	**3,891**
Net book value (CHF million)							
Net book value	**496**	**1,511**	**1,274**	**119**	**529**	**0**	**3,929**

▸ Refer to "Note 21 – Goodwill" in V – Consolidated financial statements – Credit Suisse Group for further information.

21 Other intangible assets

end of			**2016**			2015
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets (CHF million)						
Trade names/trademarks	28	(26)	2	27	(25)	2
Client relationships	50	(14)	36	113	(70)	43
Other	6	(3)	3	5	(3)	2
Total amortizing other intangible assets	**84**	**(43)**	**41**	**145**	**(98)**	**47**
Non-amortizing other intangible assets	172	–	172	149	–	149
of which mortgage servicing rights, at fair value	138	–	138	112	–	112
Total other intangible assets	**256**	**(43)**	**213**	**294**	**(98)**	**196**

Additional information

in	**2016**	2015	2014
Aggregate amortization and impairment (CHF million)			
Aggregate amortization	8	18	22
Impairment	0	16	1
of which related to restructuring expenses	0	15	–
of which related to discontinued operations	0	0	0

Estimated amortization

Estimated amortization (CHF million)	
2017	8
2018	7
2019	4
2020	3
2021	2

22 Other assets and other liabilities

end of	2016	2015
Other assets (CHF million)		
Cash collateral on derivative instruments	5,701	7,987
Cash collateral on non-derivative transactions	1,237	327
Derivative instruments used for hedging	148	186
Assets held-for-sale	8,214	26,061
of which loans [1]	8,062	25,839
of which real estate [2]	122	182
of which long-lived assets	30	40
Assets held for separate accounts	431	1,307
Interest and fees receivable	4,795	5,643
Deferred tax assets	5,815	6,068
Prepaid expenses	382	442
Failed purchases	2,423	2,770
Defined benefit pension and post-retirement plan assets	995	825
Other	6,594	6,294
Other assets	**36,735**	**57,910**
Other liabilities (CHF million)		
Cash collateral on derivative instruments	11,497	13,991
Cash collateral on non-derivative transactions	369	518
Derivative instruments used for hedging	2	110
Deposits held-for-sale	1,577	0
Provisions	4,066	1,841
of which off-balance sheet risk	87	87
Restructuring liabilities	310	199
Liabilities held for separate accounts	431	1,307
Interest and fees payable	5,986	5,926
Current tax liabilities	607	577
Deferred tax liabilities	96	41
Failed sales	737	1,551
Defined benefit pension and post-retirement plan liabilities	516	659
Other	13,640	14,995
Other liabilities	**39,834**	**41,715**

1 Included as of 2016 and 2015 were CHF 681 million and CHF 1,135 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 0 million and CHF 60 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP.
2 As of 2016 and 2015, real estate held-for-sale included foreclosed or repossessed real estate of CHF 16 million and CHF 31 million, respectively, of which CHF 13 million and CHF 3 million, respectively, were related to residential real estate.

23 Deposits

end of			2016			2015
	Switzerland	Foreign	Total	Switzerland	Foreign	Total
Deposits (CHF million)						
Non-interest-bearing demand deposits	2,956	1,646	4,602	3,157	3,780	6,937
Interest-bearing demand deposits	118,497	33,765	152,262	123,336	33,975	157,311
Savings deposits	54,505	2	54,507	54,615	5	54,620
Time deposits	36,446	119,827	156,273 [1]	33,012	101,280	134,292 [1]
Total deposits	**212,404**	**155,240**	**367,644** [2]	**214,120**	**139,040**	**353,160** [2]
of which due to banks	–	–	23,066	–	–	21,460
of which customer deposits	–	–	344,578	–	–	331,700

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.
1 Included CHF 156,211 million and CHF 133,988 million as of December 31, 2016 and 2015, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.
2 Not included as of December 31, 2016 and 2015 were CHF 0 million and CHF 2 million, respectively, of overdrawn deposits reclassified as loans.

24 Long-term debt

end of	2016	2015
Long-term debt (CHF million)		
Senior	163,521	153,372
Subordinated	22,045	23,896
Non-recourse liabilities from consolidated VIEs	1,759	14,826
Long-term debt	**187,325**	**192,094**
of which reported at fair value	71,970	80,002
of which structured notes	59,544	54,848

Structured notes by product

end of	2016	2015
Structured notes (CHF million)		
Equity	35,980	35,594
Fixed income	16,395	11,534
Credit	5,713	5,261
Other	1,456	2,459
Total structured notes	**59,544**	**54,848**

Long-term debt by maturities

end of	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt (CHF million)							
Senior debt							
Fixed rate	12,106	10,920	15,250	8,839	7,324	31,059	85,498
Variable rate	19,168	13,343	7,234	5,648	7,055	25,575	78,023
Interest rates (range in %) [1]	0.0–14.6	0.0–14.2	0.0–13.6	0.1–14.3	0.1–4.0	0.1–8.2	–
Subordinated debt							
Fixed rate	163	10,532	0	1,933	19	9,145	21,792
Variable rate	51	0	202	0	0	0	253
Interest rates (range in %) [1]	1.6–7.0	4.9–13.3	0.8	3.4–7.0	0.0	1.6–8.0	–
Non-recourse liabilities from consolidated VIEs							
Fixed rate	421	255	357	1	30	0	1,064
Variable rate	5	25	0	0	0	665	695
Interest rates (range in %) [1]	3.0–4.0	2.8–3.3	3.0	0.0	3.3–9.3	0.9–10.5	–
Total long-term debt	**31,914**	**35,075**	**23,043**	**16,421**	**14,428**	**66,444**	**187,325**
of which structured notes	11,116	9,713	5,278	4,964	4,601	23,872	59,544

The maturity of perpetual debt is based on the earliest callable date. The maturity of all other debt is based on contractual maturity.

[1] Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

▸ Refer to “Note 25 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information.

25 Accumulated other comprehensive income

	Gains/ (losses) on cash flow hedges	Cumulative translation adjustments	Unrealized gains/ (losses) on securities	Actuarial gains/ (losses)	Net prior service credit/ (cost)	Gains/ (losses) on liabilities relating to credit risk	**Accumulated other comprehensive income/ (loss)**
2016 (CHF million)							
Balance at beginning of period	**6**	**(12,751)**	**50**	**(612)**	**3**	**–**	**(13,304)**
Increase/(decrease)	(6)	410	2	131	(1)	(1,083)	(547)
Decrease due to equity method investments	0	0	0	0	0	0	0
Reclassification adjustments, included in net income/(loss)	(16)	72	0	79	0	0	135
Cumulative effect of accounting changes, net of tax	0	0	0	0	0	465	465
Total increase/(decrease)	(22)	482	2	210	(1)	(618)	53
Balance at end of period	**(16)**	**(12,269)**	**52**	**(402)**	**2**	**(618)**	**(13,251)**
2015 (CHF million)							
Balance at beginning of period	**(18)**	**(11,623)**	**56**	**(656)**	**17**	**–**	**(12,224)**
Increase/(decrease)	0	(1,133)	(5)	(30)	(1)	–	(1,169)
Decrease due to equity method investments	0	(1)	0	0	0	–	(1)
Reclassification adjustments, included in net income/(loss)	24	6	(1)	74	(13)	–	90
Total increase/(decrease)	24	(1,128)	(6)	44	(14)	–	(1,080)
Balance at end of period	**6**	**(12,751)**	**50**	**(612)**	**3**	**–**	**(13,304)**
2014 (CHF million)							
Balance at beginning of period	**9**	**(13,738)**	**35**	**(714)**	**3**	**–**	**(14,405)**
Increase/(decrease)	(11)	2,115	21	14	20	–	2,159
Reclassification adjustments, included in net income/(loss)	(16)	0	0	44	(6)	–	22
Total increase/(decrease)	(27)	2,115	21	58	14	–	2,181
Balance at end of period	**(18)**	**(11,623)**	**56**	**(656)**	**17**	**–**	**(12,224)**

Refer to "Note 27 – Tax" and "Note 30 – Pension and other post-retirement benefits" for income tax expense/(benefit) on the movements of accumulated other comprehensive income/(loss).

Details of significant reclassification adjustments

in	**2016**	2015	2014
Reclassification adjustments, included in net income/(loss) (CHF million)			
Cumulative translation adjustments			
Reclassification adjustments	**72** [1]	**6**	**0**
Actuarial gains/(losses)			
Amortization of recognized actuarial losses [2]	123	98	62
Tax expense/(benefit)	(44)	(24)	(18)
Net of tax	**79**	**74**	**44**

1 Includes net releases of CHF 59 million on the sale of Credit Suisse (Gibraltar) Limited and net releases of CHF 17 million on the liquidation of Credit Suisse Principal Investments Limited and AJP Cayman Ltd. These were reclassified from cumulative translation adjustments and included in net income in other revenues.
2 These components are included in the computation of total benefit costs. Refer to "Note 30 – Pension and other post-retirement benefits" for further information.

26 Offsetting of financial assets and financial liabilities

▸ Refer to “Note 27 – Offsetting of financial assets and financial liabilities” in V – Consolidated financial statements – Credit Suisse Group for further information.

Offsetting of derivatives

end of		2016		2015
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Gross derivatives subject to enforceable master netting agreements (CHF billion)				
OTC-cleared	8.2	7.5	15.7	14.5
OTC	129.0	121.6	152.9	146.3
Exchange-traded	0.1	0.1	0.0	0.0
Interest rate products	**137.3**	**129.2**	**168.6**	**160.8**
OTC	59.3	69.2	58.1	68.2
Exchange-traded	0.0	0.1	0.3	0.3
Foreign exchange products	**59.3**	**69.3**	**58.4**	**68.5**
OTC	11.2	11.6	12.0	13.5
Exchange-traded	11.5	13.0	8.9	11.2
Equity/index-related products	**22.7**	**24.6**	**20.9**	**24.7**
OTC-cleared	2.1	2.3	3.8	4.0
OTC	5.8	6.2	13.5	12.4
Credit derivatives	**7.9**	**8.5**	**17.3**	**16.4**
OTC-cleared	0.0	0.0	0.0	0.1
OTC	2.2	1.1	2.7	1.5
Exchange-traded	0.0	0.1	0.0	0.2
Other products	**2.2**	**1.2**	**2.7**	**1.8**
OTC-cleared	10.3	9.8	19.5	18.6
OTC	207.5	209.7	239.2	241.9
Exchange-traded	11.6	13.3	9.2	11.7
Total gross derivatives subject to enforceable master netting agreements	**229.4**	**232.8**	**267.9**	**272.2**
Offsetting (CHF billion)				
OTC-cleared	(8.5)	(7.8)	(19.0)	(18.6)
OTC	(188.5)	(199.1)	(217.1)	(226.7)
Exchange-traded	(11.1)	(11.9)	(9.0)	(9.8)
Offsetting	**(208.1)**	**(218.8)**	**(245.1)**	**(255.1)**
of which counterparty netting	(184.6)	(184.6)	(223.0)	(223.0)
of which cash collateral netting	(23.5)	(34.2)	(22.1)	(32.1)
Net derivatives presented in the consolidated balance sheets (CHF billion)				
OTC-cleared	1.8	2.0	0.5	0.0
OTC	19.0	10.6	22.1	15.2
Exchange-traded	0.5	1.4	0.2	1.9
Total net derivatives subject to enforceable master netting agreements	**21.3**	**14.0**	**22.8**	**17.1**
Total derivatives not subject to enforceable master netting agreements [1]	**5.8**	**6.4**	**6.0**	**6.5**
Total net derivatives presented in the consolidated balance sheets	**27.1**	**20.4**	**28.8**	**23.6**
of which recorded in trading assets and trading liabilities	27.0	20.4	28.6	23.5
of which recorded in other assets and other liabilities	0.1	0.0	0.2	0.1

[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.

Offsetting of securities purchased under resale agreements and securities borrowing transactions

end of			2016			2015
	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities purchased under resale agreements and securities borrowing transactions (CHF billion)						
Securities purchased under resale agreements	100.2	(26.9)	73.3	92.4	(19.6)	72.8
Securities borrowing transactions	24.0	(4.5)	19.5	21.4	(3.9)	17.5
Total subject to enforceable master netting agreements	**124.2**	**(31.4)**	**92.8**	**113.8**	**(23.5)**	**90.3**
Total not subject to enforceable master netting agreements [1]	**42.2**	**–**	**42.2**	**33.1**	**–**	**33.1**
Total	**166.4**	**(31.4)**	**135.0** [2]	**146.9**	**(23.5)**	**123.4** [2]

[1] 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 87,331 million and CHF 83,565 million of the total net amount as of December 31, 2016 and 2015, respectively, are reported at fair value.

Offsetting of securities sold under repurchase agreements and securities lending transactions

end of			2016			2015
	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities sold under repurchase agreements and securities lending transactions (CHF billion)						
Securities sold under repurchase agreements	51.3	(29.0)	22.3	43.2	(21.4)	21.8
Securities lending transactions	8.3	(2.4)	5.9	9.8	(2.1)	7.7
Obligation to return securities received as collateral, at fair value	31.9	0.0	31.9	19.4	0.0	19.4
Total subject to enforceable master netting agreements	**91.5**	**(31.4)**	**60.1**	**72.4**	**(23.5)**	**48.9**
Total not subject to enforceable master netting agreements [1]	**5.5**	**–**	**5.5**	**26.2**	**–**	**26.2**
Total	**97.0**	**(31.4)**	**65.6**	**98.6**	**(23.5)**	**75.1**
of which securities sold under repurchase agreements and securities lending transactions	64.4	(31.4)	33.0 [2]	70.1	(23.5)	46.6 [2]
of which obligation to return securities received as collateral, at fair value	32.6	0.0	32.6	28.5	0.0	28.5

[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.
[2] CHF 19,634 million and CHF 32,398 million of the total net amount as of December 31, 2016 and 2015, respectively, are reported at fair value.

Amounts not offset in the consolidated balance sheets

end of				2016				2015
	Net	Financial instruments [1]	Cash collateral received/ pledged [1]	**Net exposure**	Net	Financial instruments [1]	Cash collateral received/ pledged [1]	**Net exposure**
Financial assets subject to enforceable master netting agreements (CHF billion)								
Derivatives	21.3	6.3	0.0	15.0	22.8	6.2	0.8	15.8
Securities purchased under resale agreements	73.3	73.3	0.0	0.0	72.8	72.8	0.0	0.0
Securities borrowing transactions	19.5	18.6	0.0	0.9	17.5	17.1	0.0	0.4
Total financial assets subject to enforceable master netting agreements	**114.1**	**98.2**	**0.0**	**15.9**	**113.1**	**96.1**	**0.8**	**16.2**
Financial liabilities subject to enforceable master netting agreements (CHF billion)								
Derivatives	14.0	3.3	0.0	10.7	17.1	3.4	0.0	13.7
Securities sold under repurchase agreements	22.3	22.3	0.0	0.0	21.8	21.8	0.0	0.0
Securities lending transactions	5.9	5.7	0.0	0.2	7.7	7.4	0.0	0.3
Obligation to return securities received as collateral, at fair value	31.9	30.4	0.0	1.5	19.4	18.5	0.0	0.9
Total financial liabilities subject to enforceable master netting agreements	**74.1**	**61.7**	**0.0**	**12.4**	**66.0**	**51.1**	**0.0**	**14.9**

[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 sheets and therefore any over-collateralization of these positions is not included.

27 Tax

Details of current and deferred taxes

in	2016	2015	2014
Current and deferred taxes (CHF million)			
Switzerland	91	(25)	56
Foreign	499	462	624
Current income tax expense	**590**	**437**	**680**
Switzerland	(166)	166	(384)
Foreign	(67)	(164)	1,003
Deferred income tax expense	**(233)**	**2**	**619**
Income tax expense	**357**	**439**	**1,299**
Income tax expense on discontinued operations	0	0	40
Income tax expense/(benefit) reported in shareholder's equity related to:			
Gains/(losses) on cash flow hedges	(6)	(4)	4
Cumulative translation adjustment	(4)	(14)	(117)
Unrealized gains/(losses) on securities	1	(3)	7
Actuarial gains/(losses)	87	14	(27)
Net prior service cost	0	(9)	9
Share-based compensation and treasury shares	106	28	68

Reconciliation of taxes computed at the Swiss statutory rate

in	2016	2015	2014
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	1,677	1,315	(179)
Foreign	(4,445)	(4,253)	3,140
Income/(loss) from continuing operations before taxes	**(2,768)**	**(2,938)**	**2,961**
Reconciliation of taxes computed at the Swiss statutory rate (CHF million)			
Income tax expense/(benefit) computed at the statutory tax rate of 22%	(609)	(646)	651
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	(541)	(731)	347
Non-deductible amortization of other intangible assets and goodwill impairment	1	1,432	6
Other non-deductible expenses	1,533	389	666
Additional taxable income	87	15	2
Lower taxed income	(216)	(272)	(265)
(Income)/loss taxable to noncontrolling interests	(10)	7	(173)
Changes in tax law and rates	145	347	151
Changes in deferred tax valuation allowance	76	(108)	1,071
Change in recognition of outside basis difference	211	262	(450)
Tax deductible impairments of Swiss subsidiary investments	(68)	(258)	(555)
Other	(252)	2	(152)
Income tax expense	**357**	**439**	**1,299**

2016

Foreign tax rate differential of CHF 541 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly the Bahamas. The foreign tax rate expense of CHF 432 million was not only impacted by the foreign tax benefit based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

Other non-deductible expenses of CHF 1,533 million included the impact of CHF 983 million related to the non-deductible portion of the litigation provisions and settlement charges, CHF 420 million relating to non-deductible interest expenses, CHF 52 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 31 million related to non-deductible foreign exchange losses, CHF 25 million related to onerous lease provisions, and other various smaller non-deductible expenses of CHF 22 million.

Lower taxed income of CHF 216 million included a tax benefit of CHF 71 million related to non-taxable life insurance income, CHF 58 million related to non-taxable dividend income, CHF 19 million in respect of income taxed at rates lower than the statutory tax rate, CHF 11 million related to exempt income, and various smaller items.

Changes in tax law and rates of CHF 145 million reflected a tax expense of CHF 139 million caused by the reduction of deferred tax assets from the enactment of UK corporation tax rate changes, and CHF 6 million related to changes in other countries.

Changes in deferred tax valuation allowances of CHF 76 million included the net impact of the increase in valuation allowances on deferred tax assets of CHF 308 million, mainly in respect of four of the Bank's operating entities, two in the UK, one in Hong Kong and one in Switzerland. Additionally, 2016 included an accrual of valuation allowances of CHF 91 million for previously recognized deferred tax assets in respect of one of the Bank's operating entities in Hong Kong. Also included was a tax benefit from the release of valuation allowances of CHF 193 million, mainly in respect of one of the Bank's operating entities in the UK. The change in UK corporation tax rates caused a release of valuation allowances of CHF 130 million in respect of four of the Bank's operating entities in the UK.

Change in recognition of outside basis difference of CHF 211 million reflected a tax expense related to the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

Other of CHF 252 million included a tax benefit of CHF 340 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability and CHF 33 million from prior year adjustments, partially offset by CHF 89 million tax litigation expense and associated interest and penalties relating to two Italian income tax matters which have been resolved as part of an agreement with the Italian tax authorities, and CHF 22 million relating to the increase of tax contingency accruals. The remaining balance included various smaller items.

‣ Refer to "Note 38 – Litigation" for further information on the Italian tax matters.

2015

Foreign tax rate differential of CHF 731 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The foreign tax rate benefit in relation to total foreign tax expense of CHF 298 million was more than offset by tax impacts related to additional reconciling items as explained below.

Non-deductible amortization of other intangible assets and goodwill impairment of CHF 1,432 million reflected the non-deductible nature of the goodwill impairment.

Other non-deductible expenses of CHF 389 million included the impact of CHF 219 million relating to non-deductible interest expenses, CHF 69 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 50 million related to the non-deductible portion of the litigation provisions and settlement charges, and other various smaller non-deductible expenses of CHF 51 million.

Lower taxed income of CHF 272 million included a tax benefit of CHF 59 million related to non-taxable dividend income, CHF 58 million related to non-taxable life insurance income, CHF 50 million related to exempt income, CHF 49 million related to non-taxable foreign exchange gains, CHF 16 million in respect of income taxed at rates lower than the statutory tax rate, and various smaller items.

Changes in tax law and rates of CHF 347 million reflected a tax expense of CHF 189 million related to the change in New York City tax law, CHF 175 million caused by the reduction of deferred tax assets from the enactment of UK corporation tax rate changes and introduction of the bank corporation tax surcharge, and CHF 10 million related to changes in other countries, partially offset by a tax benefit of CHF 16 million from a change in the Brazil tax rate and CHF 11 million related to a change in New York state tax law.

Changes in deferred tax valuation allowances of CHF 108 million included the net impact of the release of valuation allowances of CHF 109 million, mainly in respect of two of the Bank's operating entities, one in the UK and one in Hong Kong, relating to current year earnings. Additionally, 2015 included a release of valuation allowances of CHF 88 million for previously recognized deferred tax assets in respect of one of the Bank's operating entities in Hong Kong. The change in UK corporation tax rates and introduction of the bank corporation tax surcharge in 2015 caused a release of valuation allowances of CHF 162 million in respect of four of the Bank's operating entities in the UK. Also included was a tax expense of CHF 251 million resulting from the increase in valuation allowances on deferred tax assets mainly from three of the Bank's operating entities, two in the UK and one in Switzerland.

Change in recognition of outside basis difference of CHF 262 million reflected a tax expense related to the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

Other of CHF 2 million included a tax expense of CHF 48 million relating to the increase of tax contingency accruals, a tax expense of CHF 28 million from prior year adjustments and various smaller items, partially offset by a tax benefit of CHF 109 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability.

2014

Foreign tax rate differential of CHF 347 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,627 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

Other non-deductible expenses of CHF 666 million included the impact of CHF 390 million relating to the non-deductible portion of the litigation provisions and settlement charges, non-deductible interest expenses of CHF 179 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 59 million, and other various smaller non-deductible expenses of CHF 38 million.

Lower taxed income of CHF 265 million included a net tax benefit of CHF 84 million related to non-taxable dividend income, CHF 56 million related to non-taxable life insurance income, CHF 35 million in respect of income taxed at rates lower than the statutory tax rate, CHF 34 million related to exempt offshore income and various smaller items.

Changes in tax law and rates of CHF 151 million reflected a tax expense related to the change in New York state tax law.

Changes in deferred tax valuation allowances of CHF 1,071 million included the net impact of the increase of valuation allowances of CHF 434 million, mainly in respect of six of the Bank's operating entities, three in the UK and one in each of Germany, Italy and Switzerland, relating to current year's earnings. Additionally, 2014 included an increase in valuation allowance for previously recognized deferred tax assets in respect of two of the Bank's operating entities in the UK of CHF 662 million. Also included was a tax benefit of CHF 25 million resulting from the release of valuation allowances on deferred tax assets from one of the Bank's operating entities in Spain.

Change in recognition of outside basis difference of CHF 450 million reflected a tax benefit related to the enactment of a Swiss GAAP change impacting the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

Other of CHF 152 million included a tax benefit of CHF 189 million following audit closures and tax settlements, together with a benefit of CHF 4 million relating to the decrease of tax contingency accruals, partially offset by CHF 33 million return to accrual adjustments and a tax expense of CHF 26 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

As of December 31, 2016, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 5.0 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Deferred tax assets and liabilities

end of	2016	2015
Deferred tax assets and liabilities (CHF million)		
Compensation and benefits	1,990	2,316
Loans	326	326
Investment securities	467	547
Provisions	1,341	1,718
Derivatives	100	117
Real estate	346	340
Net operating loss carry-forwards	6,523	5,831
Other	116	113
Gross deferred tax assets before valuation allowance	**11,209**	**11,308**
Less valuation allowance	(4,168)	(3,898)
Gross deferred tax assets net of valuation allowance	**7,041**	**7,410**
Compensation and benefits	(238)	(211)
Loans	(29)	(31)
Investment securities	(251)	(273)
Provisions	(359)	(449)
Business combinations	(1)	(1)
Derivatives	(238)	(187)
Leasing	(8)	(18)
Real estate	(51)	(66)
Other	(147)	(147)
Gross deferred tax liabilities	**(1,322)**	**(1,383)**
Net deferred tax assets	**5,719**	**6,027**
of which deferred tax assets	5,815	6,068
of which net operating losses	2,172	1,753
of which deductible temporary differences	3,643	4,315
of which deferred tax liabilities	(96)	(41)

The decrease in net deferred tax assets from 2015 to 2016 of CHF 308 million was primarily due to the impact of CHF 750 million in connection with the establishment of Credit Suisse (Schweiz) AG and the tax impacts directly recorded in equity and other comprehensive income, mainly related to the net impact of share-based compensation, pension plan re-measurement and other tax recorded directly in equity of CHF 229 million. These decreases were partially offset by an increase of deferred tax assets of CHF 176 million from the re-measurement of deferred tax balances in Switzerland and Hong Kong, CHF 289 million related to current year earnings, and foreign exchange translation gains of CHF 206 million, which are included within the currency translation adjustments recorded in accumulated other comprehensive income/(loss) (AOCI).

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Bank recorded a valuation allowance against deferred tax assets in the amount of CHF 4.2 billion as of December 31, 2016 compared to CHF 3.9 billion as of December 31, 2015.

Amounts and expiration dates of net operating loss carry-forwards

end of 2016	Total
Net operating loss carry-forwards (CHF million)	
Due to expire within 1 year	1,505
Due to expire within 2 to 5 years	3,277
Due to expire within 6 to 10 years	9,556
Due to expire within 11 to 20 years	5,376
Amount due to expire	**19,714**
Amount not due to expire	17,556
Total net operating loss carry-forwards	**37,270**

Movements in the valuation allowance

in	2016	2015	2014
Movements in the valuation allowance (CHF million)			
Balance at beginning of period	**3,898**	**4,107**	**2,704**
Net changes	270	(209)	1,403
Balance at end of period	**4,168**	**3,898**	**4,107**

Tax benefits associated with share-based compensation

in	2016	2015	2014
Tax benefits associated with share-based compensation (CHF million)			
Tax benefits recorded in the consolidated statements of operations [1]	390	447	506
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	(110)	(28)	(69)
Tax benefits in respect of tax on dividend equivalent payments	0	0	1

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

▸ Refer to “Note 28 – Employee deferred compensation” for further information on share-based compensation.

Windfall deductions and dividend equivalents aggregating CHF 1.1 billion and CHF 1.1 billion at the end of 2016 and 2015, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 85 million tax benefit will be recorded in retained earnings.

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

Uncertain tax positions

Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

in	2016	2015	2014
Movements in gross unrecognized tax benefits (CHF million)			
Balance at beginning of period	**360**	**382**	**416**
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	52	44	2
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(43)	(3)	(47)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	17	15	37
Decreases in unrecognized tax benefits relating to settlements with tax authorities	(2)	0	(10)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(7)	(22)	(24)
Other (including foreign currency translation)	24	(56)	8
Balance at end of period	**401**	**360**	**382**
of which, if recognized, would affect the effective tax rate	401	360	382

Interest and penalties

in	2016	2015	2014
Interest and penalties (CHF million)			
Interest and penalties recognized in the consolidated statements of operations	2	13	21
Interest and penalties recognized in the consolidated balance sheets	85	85	85

Interest and penalties are reported as tax expense. The Bank is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 116 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the US – 2010; the UK – 2009; and the Netherlands – 2005.

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

28 Employee deferred compensation

Deferred compensation for employees

▸ Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information.

The following tables show the compensation expense for deferred compensation awards granted in 2016 and prior years that was recognized in the consolidated statements of operations during 2016, 2015 and 2014, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2016 and prior years outstanding as of December 31, 2016 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The recognition of compensation expenses for the deferred compensation awards granted in February 2017 began in 2017 and thus had no impact on the 2016 consolidated financial statements.

Deferred compensation expense

in	2016	2015	2014
Deferred compensation expense (CHF million)			
Share awards	623	849	935
Performance share awards	369	562	610
Contingent Capital Awards	234	429	213
Contingent Capital share awards	30	–	–
Capital Opportunity Facility awards	13	16	13
Plus Bond awards [1]	5	22	36
2011 Partner Asset Facility awards [2]	0	2	7
Restricted Cash Awards	0	39	92
Scaled Incentive Share Units [3]	0	0	(3)
2008 Partner Asset Facility awards [4]	13	34	87
Other cash awards	331	398	394
Discontinued operations	0	0	(8)
Total deferred compensation expense	**1,618**	**2,351**	**2,376**
Total shares delivered (million)			
Total shares delivered	41.5	43.8	36.5

1 Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year vesting period.
2 Compensation expense mainly includes the change in the underlying fair value of the indexed assets prior to the Contingent Capital Awards conversion.
3 Including forfeitures and downward adjustments according to the plan terms and conditions.
4 Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.

Estimated unrecognized deferred compensation

end of	2016
Estimated unrecognized compensation expense (CHF million)	
Share awards	441
Performance share awards	119
Contingent Capital Awards	109
Contingent Capital share awards	24
Other cash awards	162
Total	**855**
Aggregate remaining weighted-average requisite service period (years)	
Aggregate remaining weighted-average requisite service period	1.3

Does not include the estimated unrecognized compensation expense relating to grants made in 2017 for 2016.

Share awards

On February 15, 2017, the Bank granted 37.5 million share awards with a total value of CHF 562 million. The estimated unrecognized compensation expense of CHF 561 million was determined based on the ◎ fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the vesting period, subject to early retirement rules.

Share awards granted for previous years

For compensation year	2016	2015	2014
Share awards granted for previous years			
Shares awarded (million)	37.5	28.7	36.9
Value of shares awarded (CHF million)	562	547	636

On February 15, 2017, the Bank granted 2.4 million blocked shares with a total value of CHF 37 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2016.

Blocked share awards granted for previous years

For compensation year	2016	2015	2014
Blocked share awards granted for previous years			
Shares awarded (million)	2.4	0.6	1.5
Value of shares awarded (CHF million)	37	12	35

Share award activities

	2016		2015		2014	
	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF
Share awards						
Balance at beginning of period	**78.9**	**21.56**	**76.5**	**28.63**	**72.2**	**30.07**
Granted	38.0	17.59	46.1 [1]	16.49	37.3	27.60
Settled	(37.1)	22.68	(39.8)	29.02	(29.1)	30.41
Forfeited	(9.1)	21.88	(3.9)	24.03	(3.9)	32.24
Balance at end of period	**70.7**	**18.78**	**78.9**	**21.56**	**76.5**	**28.63**
of which vested	8.1	–	4.7	–	6.1	–
of which unvested	62.6	–	74.2	–	70.4	–

[1] Includes an adjustment for share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional shares granted.

Performance share awards

On February 15, 2017, the Bank granted 29.5 million performance share awards with a total value of CHF 448 million. The estimated unrecognized compensation expense of CHF 443 million was determined based on the fair value of the award at the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the vesting period.

Performance share awards granted for previous years

For compensation year	2016	2015	2014
Performance share awards granted for previous years			
Performance shares awarded (million)	29.5	21.2	30.3
Value of performance shares awarded (CHF million)	448	427	523

Performance share award activities

	2016		2015		2014	
	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF
Performance share awards						
Balance at beginning of period	**55.3**	**21.01**	**47.5**	**26.89**	**40.7**	**25.51**
Granted	21.3	18.62	32.1 [1]	16.11	24.0	28.13
Settled	(26.3)	22.66	(23.0)	26.25	(15.8)	25.27
Forfeited	(2.3)	18.98	(1.3)	21.78	(1.4)	26.28
Balance at end of period	**48.0**	**19.12**	**55.3**	**21.01**	**47.5**	**26.89**
of which vested	6.8	–	3.3	–	3.2	–
of which unvested	41.2	–	52.0	–	44.3	–

[1] Includes an adjustment for performance share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted performance shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional performance shares granted.

Contingent Capital Awards

On February 15, 2017, the Bank awarded CHF 228 million of Contingent Capital Awards (CCA) that will be expensed over the vesting period from the grant date. The estimated unrecognized compensation expense of CHF 216 million was determined based on the fair value of the award on the grant date and includes the current estimated outcome of the relevant performance criteria, the estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the vesting period.

Contingent Capital Awards granted for previous years

For compensation year	2016	2015	2014
Contingent Capital Awards granted for previous years			
CCA awarded (CHF million)	228	217	355

Contingent Capital share awards

In March 2016, the Bank executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57. CCA holders elected to convert CHF 213 million of their CCA into Contingent Capital share awards during the election period. This fair value represented an approximate conversion rate of 15%. Each Contingent Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

Contingent Capital share award activities

	2016
Contingent Capital share awards	
Balance at beginning of period	–
Granted	15.5
Settled	(2.5)
Forfeited	(0.3)
Balance at end of period	**12.7**
of which vested	1.0
of which unvested	11.7

Other variable compensation

In 2016, the Bank granted deferred share and cash retention awards of CHF 249 million relating to the reorganization of the Global Markets and Investment Banking & Capital Markets businesses. Amortization of these awards in 2016 of CHF 118 million was recognized in the Corporate Center.

29 Related parties

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

▸ Refer to "Note 30 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information.

Related party assets and liabilities

end of	2016	2015
Assets (CHF million)		
Cash and due from banks	966	1,345
Interest-bearing deposits with banks	2,350	4,091
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	289	387
Trading assets	147	143
Net loans	6,687	5,154
Other assets	46	89
Total assets	**10,485**	**11,209**
Liabilities (CHF million)		
Due to banks/customer deposits	1,670	1,838
Trading liabilities	24	87
Long-term debt	4,173	4,092
Other liabilities	246	232
Total liabilities	**6,113**	**6,249**

Related party revenues and expenses

in	2016	2015	2014
Revenues (CHF million)			
Interest and dividend income	4	5	70
Interest expense	(273)	(269)	(223)
Net interest income	**(269)**	**(264)**	**(153)**
Commissions and fees	29	4	(11)
Other revenues	170	169	178
Net revenues	**(70)**	**(91)**	**14**
Expenses (CHF million)			
Total operating expenses	**144**	**193**	**165**

Related party guarantees

end of	2016	2015
Guarantees (CHF million)		
Credit guarantees and similar instruments	1	0
Performance guarantees and similar instruments	1	0
Other guarantees	34	65
Total guarantees	**36**	**65**

Executive Board and Board of Directors loans

	2016	2015	2014
Loans to members of the Executive Board (CHF million)			
Balance at beginning of period	**26** [1]	**5**	**10**
Additions	6	21	3
Reductions	(7)	0	(8)
Balance at end of period	**25** [1]	**26**	**5**
Loans to members of the Board of Directors (CHF million)			
Balance at beginning of period	**8** [2]	**16**	**55**
Additions	3	1	6
Reductions	(1)	(9)	(45)
Balance at end of period	**10** [2]	**8**	**16**

1 The number of individuals with outstanding loans at the beginning and the end of the year was six and seven, respectively.
2 The number of individuals with outstanding loans at the beginning and the end of the year was three and four, respectively.

Liabilities due to own pension funds

Liabilities due to the Bank's own defined benefit pension funds as of December 31, 2016 and 2015 of CHF 521 million and CHF 1,580 million, respectively, were reflected in various liability accounts in the Bank's consolidated balance sheets.

30 Pension and other post-retirement benefits

The Bank participates in a defined benefit pension plan sponsored by the Group and has defined contribution pension plans, single-employer defined benefit pension plans and other post-retirement defined benefit plans. The Bank's principal plans are located in Switzerland, the US and the UK.

DEFINED CONTRIBUTION PENSION PLANS

The Bank contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2016, 2015 and 2014, the Bank contributed to these plans and recognized as expense CHF 160 million, CHF 156 million and CHF 181 million, respectively.

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined contribution pension plans.

DEFINED BENEFIT PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Defined benefit pension plans

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined benefit pension plans.

Group pension plan

The Bank covers pension requirements for its employees in Switzerland by participating in a defined benefit pension plan sponsored by the Group (Group plan), the Group's most significant defined benefit pension plan. The Group plan provides benefits in the event of retirement, death and disability. Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. Benefits in the Group plan are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. In accordance with US GAAP, the Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic benefit costs, the PBO and the accumulated benefit obligation (ABO). The Bank accounts for the defined benefit pension plan sponsored by the Group as a multi-employer pension plan because other legal entities within the Group also participate in the Group plan and the assets contributed by the Bank are not segregated into a separate account or restricted to provide benefits only to employees of the Bank. The assets contributed by the Bank are commingled with the assets contributed by the other legal entities of the Group and can be used to provide benefits to any employee of any participating legal entity. The Bank's contributions to the Group plan comprise 95% of the total assets contributed to the Group plan by all participating legal entities on an annual basis.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expenses or balance sheet amounts related to the Group plan were recognized by the Bank. In the savings section of the Group plan, the Bank's contribution varies between 7.5% and 25% of the pensionable salary depending on the employees' age.

During 2016, 2015 and 2014, the Bank contributed and recognized as expense CHF 422 million, CHF 389 million and CHF 415 million to the Group plan, respectively. The Bank expects to contribute CHF 388 million to the Group plan during 2017. If the Bank had accounted for the Group plan as a single-employer defined benefit plan, the net periodic pension expense recognized by the Bank during 2016, 2015 and 2014 would have been lower by CHF 260 million, CHF 206 million and CHF 277 million, respectively, and the Bank would have recognized CHF 238 million, CHF 252 million and CHF 48 million, respectively, as amortization of actuarial losses and prior service cost for the Group plan.

As of December 31, 2016 and 2015, the ABO of the Group plan was CHF 15.0 billion and CHF 15.2 billion, the PBO was CHF 15.9 billion and CHF 16.1 billion and the fair value of plan assets was CHF 16.0 billion and CHF 15.6 billion, respectively. As of December 31, 2016 and 2015, the Group plan was overfunded on an ABO basis by CHF 989 million and CHF 442 million, respectively. On a PBO basis, the Group plan was overfunded by CHF 66 million and underfunded by CHF 486 million as of December 31, 2016 and 2015, respectively. If the Bank had accounted for the Group plan as a defined benefit pension plan, the Bank would have had to recognize the overfunding of the Group plan on a PBO basis of CHF 63 million as an asset as of December 31, 2016 and the underfunding of CHF 462 million as a liability as of December 31, 2015 in the consolidated balance sheets.

If the Bank had accounted for the Group plan as a defined benefit plan, the Bank would have used the assumptions made by the Group for the calculation of the expense and liability associated with the Group plan.

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for information on assumptions made by the Group for Switzerland.

International pension plans

Various defined benefit pension plans cover the Bank's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment. Retirement benefits under the plans depend on age, contributions and salary. The Bank's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

Other post-retirement defined benefit plans

In the US, the Bank's defined benefit plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Bank promises to provide health and welfare benefits after the employee retires. The Bank's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

Benefit costs of defined benefit plans

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders services. The actual amount to be recognized is determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

Components of total benefit costs

	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans		
in	**2016**	2015	2014	**2016**	2015	2014
Total benefit costs (CHF million)						
Service costs on benefit obligation	20	21	19	0	0	0
Interest costs on benefit obligation	124	129	134	8	7	7
Expected return on plan assets	(175)	(195)	(178)	0	0	0
Amortization of recognized prior service cost/(credit)	0	0	0	0	(23)	(9)
Amortization of recognized actuarial losses/(gains)	41	84	52	10	14	9
Net periodic benefit costs/(credits)	**10**	**39**	**27**	**18**	**(2)**	**7**
Settlement losses/(gains)	72	(1)	(2)	0	0	0
Total benefit costs/(credits)	**82**	**38**	**25**	**18**	**(2)**	**7**

Total benefit costs reflected in compensation and benefits – other for 2016, 2015 and 2014 were CHF 100 million, CHF 36 million and CHF 32 million, respectively. During the second half of 2016, lump-sum settlement offers were made to terminated vested members of the pension fund in the US. As a result of members accepting this offer, there was an additional cost of CHF 72 million relating to the settlement of pension obligations for these members.

Benefit obligation

The following table shows the changes in the PBO, the ABO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the international single-employer defined benefit pension plans and other post-retirement defined benefit plans.

Obligations and funded status of the plans

	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans	
in / end of	**2016**	2015	**2016**	2015
PBO (CHF million) [1]				
Beginning of the measurement period	**3,366**	**3,539**	**180**	**178**
Service cost	20	21	0	0
Interest cost	124	129	8	7
Settlements	(278)	0	0	0
Special termination benefits	1	2	0	0
Actuarial losses/(gains)	476	(97)	1	4
Benefit payments	(150)	(113)	(11)	(10)
Exchange rate losses/(gains)	(222)	(115)	6	1
End of the measurement period	**3,337**	**3,366**	**184**	**180**
Fair value of plan assets (CHF million)				
Beginning of the measurement period	**3,712**	**3,876**	**0**	**0**
Actual return on plan assets	824	62	0	0
Employer contributions	232	19	11	10
Settlements	(278)	0	0	0
Benefit payments	(150)	(113)	(11)	(10)
Exchange rate gains/(losses)	(340)	(132)	0	0
End of the measurement period	**4,000**	**3,712**	**0**	**0**
Total funded status recognized (CHF million)				
Funded status of the plan – over/(underfunded)	663	346	(184)	(180)
Funded status recognized in the consolidated balance sheet as of December 31	**663**	**346**	**(184)**	**(180)**
Total amount recognized (CHF million)				
Noncurrent assets	995	825	0	0
Current liabilities	(11)	(9)	(12)	(11)
Noncurrent liabilities	(321)	(470)	(172)	(169)
Total amount recognized in the consolidated balance sheet as of December 31	**663**	**346**	**(184)**	**(180)**
ABO (CHF million) [2]				
End of the measurement period	**3,281**	**3,315**	**184**	**180**

[1] Including estimated future salary increases.
[2] Excluding estimated future salary increases.

The total net amount recognized in the consolidated balance sheets as of December 31, 2016 and 2015 was an overfunding of CHF 479 million and CHF 166 million, respectively.

In 2016 and 2015, the Bank made contributions of CHF 232 million and CHF 19 million, respectively, to the international single-employer defined benefit pension plans and CHF 11 million and CHF 10 million to the other post-retirement defined benefit plans. In 2017, the Bank expects to contribute CHF 22 million to the international single-employer defined benefit pension plans and CHF 12 million to other post-retirement defined benefit plans.

PBO or ABO in excess of plan assets

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2016 and 2015, respectively.

Defined benefit pension plans in which PBO or ABO exceeded plan assets

	PBO exceeds fair value of plan assets [1]		ABO exceeds fair value of plan assets [1]	
December 31	**2016**	2015	**2016**	2015
CHF million				
PBO	1,426	1,630	1,407	1,613
ABO	1,391	1,600	1,378	1,589
Fair value of plan assets	1,095	1,152	1,079	1,137

[1] Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

Amount recognized in AOCI and other comprehensive income

The following table shows the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic benefit costs.

Amounts recognized in AOCI, net of tax

	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans		Total	
end of	**2016**	2015	**2016**	2015	**2016**	2015
Amounts recognized in AOCI (CHF million)						
Actuarial gains/(losses)	(363)	(569)	(39)	(43)	(402)	(612)
Prior service credit/(cost)	(1)	0	3	3	2	3
Total	**(364)**	**(569)**	**(36)**	**(40)**	**(400)**	**(609)**

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2016 and 2015 and the amortization of the aforementioned items as components of net periodic benefit costs for these periods, as well as the amounts expected to be amortized in 2017.

Amounts recognized in other comprehensive income

	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans			
in	Gross	Tax	Net	Gross	Tax	Net	**Total net**
2016 (CHF million)							
Actuarial gains/(losses)	174	(44)	130	(1)	0	(1)	129
Amortization of actuarial losses/(gains)	41	(12)	29	10	(4)	6	35
Immediate recognition due to curtailment/settlement	72	(27)	45	0	0	0	45
Total	**287**	**(83)**	**204**	**9**	**(4)**	**5**	**209**
2015 (CHF million)							
Actuarial gains/(losses)	(36)	8	(28)	(4)	2	(2)	(30)
Amortization of actuarial losses/(gains)	84	(19)	65	14	(5)	9	74
Amortization of prior service cost/(credit)	0	0	0	(23)	9	(14)	(14)
Immediate recognition due to curtailment/settlement	(1)	0	(1)	0	0	0	(1)
Total	**47**	**(11)**	**36**	**(13)**	**6**	**(7)**	**29**

Amounts in AOCI, net of tax, expected to be amortized in 2017

in 2017	International single-employer defined benefit pension plans	Other post-retirement defined benefit plans
CHF million		
Amortization of actuarial losses/(gains)	48	5
Total	**48**	**5**

Assumptions

The measurement of both the net periodic benefit costs and the benefit obligation is determined using explicit assumptions, each of which individually represents the best estimate of a particular future event.

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for information on assumptions made by the Group for Switzerland.

Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans		
December 31	**2016**	2015	2014	**2016**	2015	2014
Net periodic benefit cost (%)						
Discount rate	4.05	3.82	4.71	4.50	4.20	5.10
Salary increases	3.56	4.19	4.31	–	–	–
Expected long-term rate of return on plan assets	5.07	6.00	6.16	–	–	–
Benefit obligation (%)						
Discount rate	3.10	4.05	3.82	4.21	4.50	4.20
Salary increases	3.55	3.56	4.19	–	–	–

Mortality tables and life expectancies for major plans

		Life expectancy at age 65 for a male member currently				Life expectancy at age 65 for a female member currently			
		aged 65		aged 45		aged 65		aged 45	
December 31		**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Life expectancy (years)									
UK	SPAS S2 light tables	24.0 [1]	24.0 [2]	25.5 [1]	26.1 [2]	25.1 [1]	25.2 [2]	26.8 [1]	27.4 [2]
US	RP-2014 mortality tables [3]	21.4	21.3	22.6	22.6	23.3	23.2	24.4	24.3

1 95% of Self-Administered Pension Scheme (SAPS) S2 light tables was used, which included proposed CMI projections with a long-term rate of improvement of 1.5% per annum.
2 Core CMI projections were applied.
3 The Retirement Projection 2014 (RP-2014) mortality tables were used, with projections based on the Social Security Administrations' intermediate improvement scale.

Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate is assumed in the cost of covered health care benefits.

The following table provides an overview of assumed health care cost trend rates and the sensitivity of a one percentage point increase or decrease of the rate.

Health care cost trend rates and sensitivity

in / end of	**2016**	2015	2014
Health care cost trend rate (%)			
Annual weighted-average health care cost trend rate [1]	8.30	8.00	8.00
Increase/(decrease) in post-retirement expenses (CHF million)			
One percentage point increase in health care cost trend rates	0.2	0.2	0.2
One percentage point decrease in health care cost trend rates	(0.2)	(0.2)	(0.3)
Increase/(decrease) in post-retirement benefit obligation (CHF million)			
One percentage point increase in health care cost trend rates	4	4	5
One percentage point decrease in health care cost trend rates	(4)	(4)	(4)

[1] The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2022.

The annual health care cost trend rate used to determine the defined benefit cost for 2017 is 8.30%.

Plan assets and investment strategy

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information.

As of December 31, 2016 and 2015, no Group debt or equity securities were included in plan assets for the international single-employer defined benefit pension plans.

Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2016 and 2015, for the Bank's defined benefits plans.

Plan assets measured at fair value on a recurring basis

end of					**2016**					2015
	Level 1	Level 2	Level 3	Assets measured at net asset value per share	**Total**	Level 1	Level 2	Level 3	Assets measured at net asset value per share	**Total**
Plan assets at fair value (CHF million)										
Cash and cash equivalents	49	170	0	0	219	46	147	0	0	193
Debt securities	1,071	1,174	33	248	2,526	890	860	50	127	1,927
of which governments	491	7	0	0	498	368	7	0	0	375
of which corporates	580	1,167	33	248	2,028	522	853	50	127	1,552
Equity securities	196	187	0	226	609	208	424	0	337	969
Real estate – indirect	0	0	58	0	58	0	87	48	0	135
Alternative investments	0	321	0	177	498	0	230	0	157	387
of which hedge funds	0	0	0	177	177	0	0	0	157	157
of which other	0	321 [1]	0	0	321	0	230 [1]	0	0	230
Other investments	0	90	0	0	90	0	101	0	0	101
Total plan assets at fair value	**1,316**	**1,942**	**91**	**651**	**4,000**	**1,144**	**1,849**	**98**	**621**	**3,712**

[1] Primarily related to derivative instruments.

Plan assets measured at fair value on a recurring basis for level 3

	Balance at beginning of period	Transfers in	Transfers out	Actual return on plan assets: On assets still held at reporting date	Actual return on plan assets: On assets sold during the period	Purchases, sales, settlements	Foreign currency translation impact	**Balance at end of period**
2016 (CHF million)								
Debt securities – corporates	50	6	0	0	(1)	(24)	2	33
Real estate – indirect	48	48	0	(14)	18	(44)	2	58
Total plan assets at fair value	**98**	**54**	**0**	**(14)**	**17**	**(68)**	**4**	**91**
2015 (CHF million)								
Debt securities – corporates	61	0	(11)	(4)	0	5	(1)	50
Real estate – indirect	116	0	(86)	14	0	4	0	48
Total plan assets at fair value	**177**	**0**	**(97)**	**10**	**0**	**9**	**(1)**	**98**

Plan asset allocation

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

Weighted-average plan asset allocation

December 31	**2016**	2015
Weighted-average plan asset allocation (%)		
Cash and cash equivalents	5.5	5.2
Debt securities	63.2	51.9
Equity securities	15.3	26.1
Real estate	1.4	3.6
Alternative investments	12.4	10.4
Insurance	2.2	2.8
Total	**100.0**	**100.0**

The following table shows the target plan asset allocation for 2017 in accordance with the Bank's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2017.

Weighted-average target plan asset allocation for 2017

2017 (%)	
Debt securities	72.3
Equity securities	12.2
Real estate	0.6
Alternative investments	12.4
Insurance	2.5
Total	**100.0**

Estimated future benefit payments for defined benefit plans

The following table shows the estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans.

Estimated future benefit payments for defined benefit plans

	International single-employer defined benefit pension plans	Other post-retirement defined benefit plans
Estimated future benefit payments (CHF million)		
2017	87	12
2018	89	12
2019	93	13
2020	99	13
2021	121	13
For five years thereafter	615	60

31 Derivatives and hedging activities

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

Hedge accounting

Cash flow hedges

As of the end of 2016, the maximum length of time over which the Bank hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

Fair value of derivative instruments

			Trading			Hedging [1]
end of 2016	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	8,321.9	3.3	3.2	0.0	0.0	0.0
Swaps	13,190.9	91.0	85.4	41.5	0.8	0.8
Options bought and sold (OTC)	2,164.4	43.1	41.1	0.0	0.0	0.0
Futures	522.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	468.0	0.2	0.2	0.0	0.0	0.0
Interest rate products	**24,667.3**	**137.6**	**129.9**	**41.5**	**0.8**	**0.8**
Forwards	1,212.7	19.2	20.8	11.0	0.1	0.0
Swaps	819.3	34.5	42.0	0.0	0.0	0.0
Options bought and sold (OTC)	416.8	8.1	8.4	4.8	0.0	0.0
Futures	17.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	4.1	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	**2,470.7**	**61.8**	**71.2**	**15.8**	**0.1**	**0.0**
Forwards	1.3	0.0	0.0	0.0	0.0	0.0
Swaps	191.4	4.7	5.3	0.0	0.0	0.0
Options bought and sold (OTC)	206.8	8.0	7.7	0.0	0.0	0.0
Futures	41.5	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	355.9	11.6	13.1	0.0	0.0	0.0
Equity/index-related products	**796.9**	**24.3**	**26.1**	**0.0**	**0.0**	**0.0**
Credit derivatives [2]	**558.7**	**8.1**	**9.2**	**0.0**	**0.0**	**0.0**
Forwards	7.2	0.1	0.2	0.0	0.0	0.0
Swaps	20.1	2.0	1.4	0.0	0.0	0.0
Options bought and sold (OTC)	20.2	0.4	0.3	0.0	0.0	0.0
Futures	14.3	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	3.4	0.0	0.1	0.0	0.0	0.0
Other products [3]	**65.2**	**2.5**	**2.0**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**28,558.8**	**234.3**	**238.4**	**57.3**	**0.9**	**0.8**

The notional amount, PRV and NRV (trading and hedging) was CHF 28,616.1 billion, CHF 235.2 billion and CHF 239.2 billion, respectively, as of December 31, 2016.

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

2 Primarily credit default swaps.

3 Primarily precious metals, commodity and energy products.

Fair value of derivative instruments (continued)

	Trading			Hedging [1]		
end of 2015	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	7,229.5	1.0	1.2	0.0	0.0	0.0
Swaps	16,740.0	118.4	112.8	49.3	1.2	0.8
Options bought and sold (OTC)	2,856.0	49.2	47.3	0.0	0.0	0.0
Futures	1,789.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	198.4	0.1	0.0	0.0	0.0	0.0
Interest rate products	**28,813.8**	**168.7**	**161.3**	**49.3**	**1.2**	**0.8**
Forwards	1,499.1	16.6	16.9	10.7	0.0	0.1
Swaps	1,050.8	30.5	40.8	0.0	0.0	0.0
Options bought and sold (OTC)	534.8	12.8	12.8	8.2	0.0	0.0
Futures	22.5	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	13.0	0.3	0.3	0.0	0.0	0.0
Foreign exchange products	**3,120.2**	**60.2**	**70.8**	**18.9**	**0.0**	**0.1**
Forwards	1.3	0.0	0.1	0.0	0.0	0.0
Swaps	203.9	5.0	6.7	0.0	0.0	0.0
Options bought and sold (OTC)	193.9	8.7	8.0	0.0	0.0	0.0
Futures	39.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	284.4	9.1	11.4	0.0	0.0	0.0
Equity/index-related products	**723.4**	**22.8**	**26.2**	**0.0**	**0.0**	**0.0**
Credit derivatives [2]	**831.9**	**17.8**	**17.3**	**0.0**	**0.0**	**0.0**
Forwards	6.3	0.1	0.1	0.0	0.0	0.0
Swaps	19.6	2.6	1.7	0.0	0.0	0.0
Options bought and sold (OTC)	8.8	0.4	0.3	0.0	0.0	0.0
Futures	11.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	1.1	0.1	0.1	0.0	0.0	0.0
Other products [3]	**47.7**	**3.2**	**2.2**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**33,537.0**	**272.7**	**277.8**	**68.2**	**1.2**	**0.9**

The notional amount, PRV and NRV (trading and hedging) was CHF 33,605.2 billion, CHF 273.9 billion and CHF 278.7 billion, respectively, as of December 31, 2015.
1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.
2 Primarily credit default swaps.
3 Primarily precious metals, commodity, energy and emission products.

Fair value hedges

in	2016	2015	2014
Gains/(losses) recognized in income on derivatives (CHF million)			
Interest rate products	(105)	(94)	(142)
Foreign exchange products	0	0	3
Total	**(105)**	**(94)**	**(139)**
Gains/(losses) recognized in income on hedged items (CHF million)			
Interest rate products	97	76	136
Foreign exchange products	0	0	(3)
Total	**97**	**76**	**133**
Details of fair value hedges (CHF million)			
Net gains/(losses) on the ineffective portion	(8)	(18)	(6)

Represents gains/(losses) recognized in trading revenues.

Cash flow hedges

in	2016	2015	2014
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Interest rate products	(5)	21	40
Foreign exchange products	(3)	(17)	(47)
Total	**(8)**	**4**	**(7)**
Gains/(losses) reclassified from AOCI into income (CHF million)			
Interest rate products	29 [1]	37 [1]	21 [2]
Foreign exchange products	(7) [3]	(53) [2, 3]	(5) [3]
Total	**22**	**(16)**	**16**
Details of cash flow hedges (CHF million)			
Net gains on the ineffective portion [2]	(1)	(12)	(1)

Represents gains/(losses) on effective portion.
[1] Included in interest and other dividend income.
[2] Included in trading revenues.
[3] Included in total other operating expenses.

The net loss associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 6 million.

Net investment hedges

in	2016	2015	2014
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Foreign exchange products	(537)	443	(1,672)
Total	**(537)**	**443**	**(1,672)**

Represents gains/(losses) on effective portion.

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

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

Disclosures relating to contingent credit risk

The following table provides the Bank's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and special purpose entities (SPEs) that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch, two-notch and a three-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the negative replacement value and a percentage of the notional value of the derivative.

Contingent credit risk

end of				2016				2015
	Bilateral counterparties	Special purpose entities	Accelerated terminations	Total	Bilateral counterparties	Special purpose entities	Accelerated terminations	Total
Contingent credit risk (CHF billion)								
Current net exposure	10.5	0.2	1.1	**11.8**	13.2	0.5	1.4	**15.1**
Collateral posted	9.5	0.2	–	**9.7**	12.3	0.5	–	**12.8**
Additional collateral required in a one-notch downgrade event	0.3	0.2	0.0	**0.5**	0.7	0.4	0.1	**1.2**
Additional collateral required in a two-notch downgrade event	1.3	0.4	0.5	**2.2**	1.8	0.7	0.6	**3.1**
Additional collateral required in a three-notch downgrade event	1.5	0.7	0.7	**2.9**	2.1	1.3	0.8	**4.2**

Credit derivatives

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

Credit protection sold/purchased

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

Total return swaps (TRS) of CHF 7.8 billion and CHF 9.8 billion as of December 31, 2016 and 2015, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

Credit protection sold/purchased

end of					2016					2015 [4]
	Credit protection sold	Credit protection purchased [1]	**Net credit protection (sold)/ purchased**	Other protection purchased	Fair value of credit protection sold	Credit protection sold	Credit protection purchased [1]	**Net credit protection (sold)/ purchased**	Other protection purchased	Fair value of credit protection sold
Single-name instruments (CHF billion)										
Investment grade [2]	(72.4)	67.4	(5.0)	14.3	0.7	(172.8)	164.8	(8.0)	30.7	1.4
Non-investment grade	(30.3)	28.1	(2.2)	18.1	(1.0)	(58.9)	55.3	(3.6)	14.1	(2.4)
Total single-name instruments	**(102.7)**	**95.5**	**(7.2)**	**32.4**	**(0.3)**	**(231.7)**	**220.1**	**(11.6)**	**44.8**	**(1.0)**
of which sovereign	(27.7)	25.6	(2.1)	6.5	(0.9)	(47.5)	44.0	(3.5)	8.4	(1.2)
of which non-sovereign	(75.0)	69.9	(5.1)	25.9	0.6	(184.2)	176.1	(8.1)	36.4	0.2
Multi-name instruments (CHF billion)										
Investment grade [2]	(115.0)	113.9	(1.1)	41.2	0.0	(114.5)	112.7	(1.8)	33.3	(0.8)
Non-investment grade	(20.9)	19.5 [3]	(1.4)	9.8	0.3	(29.0)	26.8 [3]	(2.2)	9.6	0.6
Total multi-name instruments	**(135.9)**	**133.4**	**(2.5)**	**51.0**	**0.3**	**(143.5)**	**139.5**	**(4.0)**	**42.9**	**(0.2)**
of which sovereign	(0.3)	0.2	(0.1)	0.7	0.1	(0.9)	1.1	0.2	0.0	0.0
of which non-sovereign	(135.6)	133.2	(2.4)	50.3	0.2	(142.6)	138.4	(4.2)	42.9	(0.2)
Total instruments (CHF billion)										
Investment grade [2]	(187.4)	181.3	(6.1)	55.5	0.7	(287.3)	277.5	(9.8)	64.0	0.6
Non-investment grade	(51.2)	47.6	(3.6)	27.9	(0.7)	(87.9)	82.1	(5.8)	23.7	(1.8)
Total instruments	**(238.6)**	**228.9**	**(9.7)**	**83.4**	**0.0**	**(375.2)**	**359.6**	**(15.6)**	**87.7**	**(1.2)**
of which sovereign	(28.0)	25.8	(2.2)	7.2	(0.8)	(48.4)	45.1	(3.3)	8.4	(1.2)
of which non-sovereign	(210.6)	203.1	(7.5)	76.2	0.8	(326.8)	314.5	(12.3)	79.3	0.0

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Includes synthetic securitized loan portfolios.
4 Prior period has been corrected.

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

Credit derivatives

end of	2016	2015
Credit derivatives (CHF billion)		
Credit protection sold	238.6	375.2
Credit protection purchased	228.9	359.6
Other protection purchased	83.4	87.7
Other instruments [1]	7.8	9.4
Total credit derivatives	**558.7**	**831.9**

1 Consists of total return swaps and other derivative instruments.

Maturity of credit protection sold

end of	Maturity less than 1 year	Maturity between 1 to 5 years	Maturity greater than 5 years	**Total**
2016 (CHF billion)				
Single-name instruments	24.2	72.7	5.8	102.7
Multi-name instruments	27.5	84.7	23.7	135.9
Total instruments	**51.7**	**157.4**	**29.5**	**238.6**
2015 (CHF billion) [1]				
Single-name instruments	52.6	170.6	8.5	231.7
Multi-name instruments	24.3	102.2	17.0	143.5
Total instruments	**76.9**	**272.8**	**25.5**	**375.2**

1 Prior period has been corrected.

32 Guarantees and commitments

Guarantees

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	**Total gross amount**	Total net amount [1]	Carrying value	Collateral received
2016 (CHF million)								
Credit guarantees and similar instruments	1,955	500	262	402	3,119	2,900	12	2,038
Performance guarantees and similar instruments	5,019	1,514	163	237	6,933	5,943	74	3,057
Derivatives [2]	15,864	3,377	3,590	976	23,807	23,807	684	– [3]
Other guarantees	3,326	835	561	578	5,300	5,296	43	3,591
Total guarantees	**26,164**	**6,226**	**4,576**	**2,193**	**39,159**	**37,946**	**813**	**8,686**
2015 (CHF million)								
Credit guarantees and similar instruments	2,908	743	285	451	4,387	4,178	24	1,727
Performance guarantees and similar instruments	4,201	1,929	603	81	6,814	5,915	75	3,104
Derivatives [2]	23,528	10,061	3,149	1,451	38,189	38,189	755	– [3]
Other guarantees	3,901	517	445	516	5,379	5,374	51	3,492
Total guarantees	**34,538**	**13,250**	**4,482**	**2,499**	**54,769**	**53,656**	**905**	**8,323**

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Bank had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

▸ Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank, the Bank's share in the deposit insurance guarantee program for the period July 1, 2016 to June 30, 2017 is CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees.

Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Bank has provided certain representations and warranties relating to the loans sold.

Lease commitments

Lease commitments (CHF million)	
2017	575
2018	556
2019	502
2020	473
2021	370
Thereafter	3,271
Future operating lease commitments	**5,747**
Less minimum non-cancellable sublease rentals	153
Total net future minimum lease commitments	**5,594**

Rental expense for operating leases

in	**2016**	2015	2014
Rental expense for operating leases (CHF million)			
Minimum rental expense	546	558	572
Sublease rental income	(89)	(92)	(81)
Total net expenses for operating leases	**457**	**466**	**491**

Operating lease commitments

Sale-leaseback transactions

During 2016, 2015 and 2014, the Bank entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with lease terms of two years, between two and ten years and between five and ten years, respectively. The total contractual rental expenses were CHF 19 million for the 2016 sale-leaseback transactions, CHF 67 million for the 2015 sale-leaseback transactions and CHF 17 million for the 2014 sale-leaseback transactions.

Other commitments

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	**Total gross amount**	Total net amount [1]	Collateral received
2016 (CHF million)							
Irrevocable commitments under documentary credits	4,354	0	0	0	4,354	4,280	2,748
Irrevocable loan commitments	30,265	34,397	44,503	7,562	116,727 [2]	112,768	46,067
Forward reverse repurchase agreements	84	0	0	0	84	84	84
Other commitments	437	24	75	51	587	587	0
Total other commitments	**35,140**	**34,421**	**44,578**	**7,613**	**121,752**	**117,719**	**48,899**
2015 (CHF million)							
Irrevocable commitments under documentary credits	4,020	4	3	0	4,027	3,932	2,468
Irrevocable loan commitments	33,776	45,286	44,755	13,586	137,403 [2]	133,583	63,275
Forward reverse repurchase agreements	48	0	0	0	48	48	48
Other commitments	404	124	29	168	725	726	6
Total other commitments	**38,248**	**45,414**	**44,787**	**13,754**	**142,203**	**138,289**	**65,797**

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 92,471 million and CHF 95,025 million of unused credit limits as of December 31, 2016 and 2015, respectively, which were revocable at the Bank's sole discretion upon notice to the client.

33 Transfers of financial assets and variable interest entities

TRANSFERS OF FINANCIAL ASSETS

▸ Refer to "Note 34 – Transfers of financial assets and variable interest entities" in V – Credit Suisse Group – Consolidated financial statements for further information.

Securitizations

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2016, 2015 and 2014 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement, regardless of when the securitization occurred.

Securitizations

in	2016	2015	2014
Gains and cash flows (CHF million)			
CMBS			
Net gain/(loss) [1]	(2)	1	7
Proceeds from transfer of assets	3,954	9,813	5,335
Cash received on interests that continue to be held	69	148	102
RMBS			
Net gain/(loss) [1]	(4)	5	13
Proceeds from transfer of assets	9,866	20,062	22,728
Purchases of previously transferred financial assets or its underlying collateral	0	(1)	(4)
Servicing fees	2	3	2
Cash received on interests that continue to be held	529	457	444
Other asset-backed financings			
Net gain [1]	26	24	29
Proceeds from transfer of assets	2,813 [2]	1,740	1,819
Fees [3]	137	0	0
Cash received on interests that continue to be held	2	3	17

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.
[2] Excludes a net impact of CHF 3,109 million from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.
[3] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

Continuing involvement in transferred financial assets

The following table provides the outstanding principal balance of assets to which the Bank continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of December 31, 2016 and 2015, regardless of when the transfer of assets occurred.

Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

end of	2016	2015
CHF million		
CMBS		
Principal amount outstanding	28,779	40,625
Total assets of SPE	40,234	56,118
RMBS		
Principal amount outstanding	38,319	54,164
Total assets of SPE	39,680	55,833
Other asset-backed financings		
Principal amount outstanding	19,777 [1]	21,653
Total assets of SPE	36,049 [1]	22,787

Principal amount outstanding relates to assets transferred from the Bank and does not include principle amounts for assets transferred from third parties.
[1] Includes a net impact of CHF 3,208 million in principal amount outstanding and of CHF 16,625 million in total assets of the SPE from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

Fair value of beneficial interests

The fair value measurement of beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Bank may utilize to hedge the inherent risks.

Key economic assumptions at the time of transfer

▸ Refer to "Note 34 – Financial instruments" for further information on the fair value hierarchy.

Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

at time of transfer, in		2016		2015		2014
	CMBS	RMBS	CMBS	RMBS	CMBS	RMBS
CHF million, except where indicated						
Fair value of beneficial interests	69	2,068	1,512	2,110	1,341	4,023
of which level 2	69	1,827	1,442	1,695	1,242	3,791
of which level 3	0	241	70	415	100	232
Weighted-average life, in years	8.4	7.2	8.2	9.0	4.1	7.7
Prepayment speed assumption (rate per annum), in % [1]	– [2]	5.0–33.0	– [2]	1.1–30.1	– [2]	1.5–23.0
Cash flow discount rate (rate per annum), in % [3]	2.4–4.9	1.2–24.4	1.7–7.2	1.7–33.7	1.0–11.0	1.9–17.8
Expected credit losses (rate per annum), in %	0.0–0.0	2.5–11.2	0.7–5.9	0.5–15.9	1.0–2.2	0.4–15.3

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.
1 Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.
2 To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
3 The rate was based on the weighted-average yield on the beneficial interests.

Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of December 31, 2016 and 2015.

Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

end of			2016			2015
	CMBS [1]	RMBS	Other asset-backed financing activities [2]	CMBS [1]	RMBS	Other asset-backed financing activities [2]
CHF million, except where indicated						
Fair value of beneficial interests	258	1,851	443	1,007	2,274	56
of which non-investment grade	70	523	32	73	581	55
Weighted-average life, in years	7.2	8.1	5.6	6.7	9.7	2.5
Prepayment speed assumption (rate per annum), in % [3]	–	2.0–26.9	–	–	1.0–37.1	–
Impact on fair value from 10% adverse change	–	(28.7)	–	–	(30.5)	–
Impact on fair value from 20% adverse change	–	(55.9)	–	–	(57.6)	–
Cash flow discount rate (rate per annum), in % [4]	2.3–28.8	1.7–47.2	0.8–21.2	2.1–13.3	1.5–35.5	5.7–21.2
Impact on fair value from 10% adverse change	(6.0)	(48.1)	(8.3)	(18.1)	(63.1)	(0.7)
Impact on fair value from 20% adverse change	(11.7)	(93.5)	(16.4)	(35.6)	(122.5)	(1.5)
Expected credit losses (rate per annum), in %	0.7–28.0	0.9–44.9	0.9–21.2	0.9–12.7	1.3–34.3	0.2–14.2
Impact on fair value from 10% adverse change	(3.5)	(27.3)	(5.1)	(8.0)	(32.3)	(0.7)
Impact on fair value from 20% adverse change	(6.9)	(53.3)	(10.0)	(15.9)	(63.2)	(1.5)

1 To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
2 CDOs within this category are generally structured to be protected from prepayment risk.
3 PSA is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the CPR assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.
4 The rate was based on the weighted-average yield on the beneficial interests.

Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of December 31, 2016 and 2015.

Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

end of	2016	2015
CHF million		
RMBS		
Other assets	0	266
Liability to SPE, included in Other liabilities	0	(266)
Other asset-backed financings		
Trading assets	240	155
Other assets	12	122
Liability to SPE, included in Other liabilities	(252)	(277)

Transfers of financial assets accounted for as a sale

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Bank retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of December 31, 2016 and 2015, respectively, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the types of agreements as of December 31, 2016 and 2015.

Transfer of financial assets accounted for as sales – by transaction type

	at date of derecognition		end of		
	Carrying amount derecognized	Gross cash proceeds received for assets derecognized	Fair value of transferred assets	Gross derivative assets recorded [1]	Gross derivative liabilities recorded [1]
2016 (CHF million)					
Sales with longevity swaps	277	340	374	556	–
Total transactions outstanding	**277**	**340**	**374**	**556** [2]	**0**
2015 (CHF million)					
Sales with total return swaps	395	397	398	7	7
Sales with longevity swaps	308	378	375	546	–
Total transactions outstanding	**703**	**775**	**773**	**553** [3]	**7** [3]

1 Balances presented on a gross basis, before application of counterparty and cash collateral netting.
2 As of December 31, 2016, gross derivative assets of CHF 556 million were included in other products, as disclosed in Note 31 – Derivatives and hedging activities.
3 As of December 31, 2015, gross derivative assets of CHF 7 million and CHF 546 million were included in equity/index-related products and other products, respectively, and gross derivative liabilities of CHF 7 million were included in equity/index-related products, as disclosed in Note 31 – Derivatives and hedging activities.

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

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of December 31, 2016 and 2015.

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

end of	**2016**	2015
CHF billion		
Government debt securities	29.4	21.1
Corporate debt securities	13.9	15.2
Asset-backed securities	10.3	21.6
Equity securities	1.1	0.1
Other	0.3	0.1
Securities sold under repurchase agreements	**55.0**	**58.1**
Government debt securities	2.5	3.1
Corporate debt securities	0.5	0.4
Equity securities	6.0	8.2
Other	0.4	0.3
Securities lending transactions	**9.4**	**12.0**
Government debt securities	0.7	0.5
Corporate debt securities	0.4	0.1
Equity securities	31.5	27.9
Obligation to return securities received as collateral, at fair value	**32.6**	**28.5**
Total	**97.0**	**98.6**

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**
2016 (CHF billion)					
Securities sold under repurchase agreements	6.8	31.9	8.4	7.9	55.0
Securities lending transactions	6.7	2.4	0.0	0.3	9.4
Obligation to return securities received as collateral, at fair value	32.2	0.4	0.0	0.0	32.6
Total	**45.7**	**34.7**	**8.4**	**8.2**	**97.0**
2015 (CHF billion)					
Securities sold under repurchase agreements	7.7	29.9	8.1	12.4	58.1
Securities lending transactions	6.0	3.6	1.8	0.6	12.0
Obligation to return securities received as collateral, at fair value	26.2	2.3	0.0	0.0	28.5
Total	**39.9**	**35.8**	**9.9**	**13.0**	**98.6**

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

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

VARIABLE INTEREST ENTITIES

▸ Refer to "Note 34 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

Commercial paper conduit

In the fourth quarter of 2015, the Bank elected to stop issuing CP from an existing asset-backed CP conduit, Alpine Securitization Corp. (old Alpine), and all outstanding CP was fully repaid as of December 31, 2015. As of December 31, 2016, old Alpine did not have any third-party assets.

In the second quarter of 2016, the Bank established Alpine Securitization Ltd (Alpine), a multi-seller asset-backed CP conduit used for client and Bank financing purposes. The Bank acts as the administrator and provider of liquidity and credit enhancement facilities for Alpine. Alpine discloses to CP investors certain portfolio and asset data and submits its portfolio to rating agencies for public ratings. This CP conduit purchases assets such as loans and receivables or enters into reverse repurchase agreements and finances such activities through the issuance of CP backed by these assets. The CP conduit can enter into liquidity facilities with third-party entities pursuant to which it may purchase assets from these entities to provide them with liquidity and credit support. The financing transactions are structured to provide credit support to the CP conduit in the form of over-collateralization and other asset-specific enhancements. Alpine is a separate legal entity that is wholly owned by the Bank. However, its assets are available to satisfy only the claims of its creditors. In addition, the Bank, as administrator and liquidity facility provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Bank is deemed the primary beneficiary and consolidates this entity.

The overall average maturity of the conduit's outstanding CP was approximately 103 days as of December 31, 2016. Alpine was rated A-1(sf) by Standard & Poor's and P-1(sf) by Moody's and had exposures in a reverse repurchase agreement, credit card receivables, student loans and car loans.

The Bank's commitment to this CP conduit consists of obligations under liquidity agreements. The liquidity agreements are asset-specific arrangements, which require the Bank to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The asset-specific credit enhancements provided by the client seller of the assets remain unchanged as a result of such a purchase. In entering into such agreements, the Bank reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit.

The Bank's economic risks associated with the CP conduit are included in the Bank's risk management framework including counterparty, economic risk capital and scenario analysis.

Consolidated VIEs

The Bank has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Bank consolidated all VIEs related to financial intermediation for which it was the primary beneficiary.

Consolidated VIEs in which the Bank was the primary beneficiary

			Financial intermediation				
end of	CDO/ CLO	CP Conduit	Securi- tizations	Funds	Loans	Other	**Total**
2016 (CHF million)							
Cash and due from banks	43	1	41	52	50	182	369
Trading assets	0	0	0	478	933	1,333	2,744
Investment securities	0	0	511	0	0	0	511
Other investments	0	0	0	228	1,446	332	2,006
Net loans	0	0	0	0	30	254	284
Premises and equipment	0	0	0	0	173	0	173
Other assets	0	0	1,483	48	50	1,035	2,616
of which loans held-for-sale	0	0	415	0	7	0	422
Total assets of consolidated VIEs	**43**	**1**	**2,035**	**806**	**2,682**	**3,136**	**8,703**
Trading liabilities	0	0	0	0	18	0	18
Short-term borrowings	0	0	0	1	0	0	1
Long-term debt	54	0	1,639	7	57	2	1,759
Other liabilities	0	0	1	15	124	103	243
Total liabilities of consolidated VIEs	**54**	**0**	**1,640**	**23**	**199**	**105**	**2,021**
2015 (CHF million)							
Cash and due from banks	1,351	0	21	9	93	219	1,693
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	53	0	0	0	0	53
Trading assets	283	49	0	941	1,001	98	2,372
Investment securities	0	0	1,009	0	0	0	1,009
Other investments	0	0	0	0	1,553	433	1,986
Net loans	0	0	0	0	27	1,285	1,312
Premises and equipment	0	0	0	0	299	0	299
Other assets	10,839	123	1,671	0	82	1,735	14,450
of which loans held-for-sale	10,790	0	469	0	16	0	11,275
Total assets of consolidated VIEs	**12,473**	**225**	**2,701**	**950**	**3,055**	**3,770**	**23,174**
Trading liabilities	8	0	0	0	18	1	27
Short-term borrowings	0	0	81	0	0	0	81
Long-term debt	12,428	0	2,128	125	136	9	14,826
Other liabilities	51	3	3	1	134	643	835
Total liabilities of consolidated VIEs	**12,487**	**3**	**2,212**	**126**	**288**	**653**	**15,769**

Non-consolidated VIEs

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Bank has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Bank has with the entity and thus are not amounts that are considered for risk management purposes.

Non-consolidated VIEs

		Financial intermediation				
end of	CDO/ CLO	Securi- tizations	Funds	Loans	Other	Total
2016 (CHF million)						
Trading assets	440	3,881	1,526	528	191	6,566
Net loans	4	105	1,937	4,634	608	7,288
Other assets	5	14	4	4	520	547
Total variable interest assets	**449**	**4,000**	**3,467**	**5,166**	**1,319**	**14,401**
Maximum exposure to loss	**449**	**7,171**	**3,467**	**9,215**	**1,821**	**22,123**
Non-consolidated VIE assets	**9,774**	**65,820**	**65,057**	**32,651**	**6,756**	**180,058**
2015 (CHF million)						
Trading assets	90	6,021	871	425	8	7,415
Net loans	36	1,508	2,634	5,053	1,723	10,954
Other assets	0	11	13	0	161	185
Total variable interest assets	**126**	**7,540**	**3,518**	**5,478**	**1,892**	**18,554**
Maximum exposure to loss	**126**	**12,986**	**3,518**	**11,866**	**2,570**	**31,066**
Non-consolidated VIE assets	**6,590**	**113,530**	**54,112**	**41,824**	**11,463**	**227,519**

34 Financial instruments

▸ Refer to “Note 35 – Financial instruments” in V – Consolidated financial statements – Credit Suisse Group for further information.

Assets and liabilities measured at fair value on a recurring basis

end of 2016	Level 1	Level 2	Level 3	Netting impact [1]	Assets measured at net asset value per share [2]	Total
Assets (CHF million)						
Cash and due from banks	0	200	0	–	–	200
Interest-bearing deposits with banks	0	25	1	–	–	26
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	87,157	174	–	–	87,331
Debt	619	419	1	–	–	1,039
of which corporates	1	375	1	–	–	377
Equity	30,706	750	69	–	–	31,525
Securities received as collateral	31,325	1,169	70	–	–	32,564
Debt	29,498	32,200	3,977	–	–	65,675
of which foreign governments	29,226	2,408	292	–	–	31,926
of which corporates	180	12,332	1,674	–	–	14,186
of which RMBS	0	14,153	605	–	–	14,758
of which CMBS	0	2,227	65	–	–	2,292
of which CDO	0	1,074	1,165	–	–	2,239
Equity	58,492	3,795	240	–	1,346	63,873
Derivatives	5,633	224,461	4,305	(207,421)	–	26,978
of which interest rate products	3,074	133,891	748	–	–	–
of which foreign exchange products	18	61,452	355	–	–	–
of which equity/index-related products	2,538	20,777	914	–	–	–
of which credit derivatives	0	7,388	688	–	–	–
Other	2,267	2,320	4,243	–	–	8,830
Trading assets	95,890	262,776	12,765	(207,421)	1,346	165,356
Debt	103	1,929	72	–	–	2,104
of which foreign governments	103	1,207	0	–	–	1,310
of which corporates	0	283	0	–	–	283
of which RMBS	0	425	72	–	–	497
of which CMBS	0	14	0	–	–	14
Equity	2	86	0	–	–	88
Investment securities	105	2,015	72	–	–	2,192
Private equity	0	0	8	–	565	573
of which equity funds	0	0	0	–	232	232
Hedge funds	0	0	0	–	546	546
of which debt funds	0	0	0	–	292	292
Other equity investments	22	64	310	–	985	1,381
of which private	15	64	310	–	984	1,373
Life finance instruments	0	0	1,588	–	–	1,588
Other investments	22	64	1,906	–	2,096	4,088
Loans	0	12,943	6,585	–	–	19,528
of which commercial and industrial loans	0	6,051	3,816	–	–	9,867
of which financial institutions	0	4,403	1,829	–	–	6,232
Other intangible assets (mortgage servicing rights)	0	0	138	–	–	138
Other assets	260	8,202	1,679	(758)	–	9,383
of which loans held-for-sale	0	4,640	1,316	–	–	5,956
Total assets at fair value	**127,602**	**374,551**	**23,390**	**(208,179)**	**3,442**	**320,806**
Less other investments – equity at fair value attributable to noncontrolling interests	0	0	(116)	–	(565)	(681)
Less assets consolidated under ASU 2009-17 [3]	0	(829)	(300)	–	–	(1,129)
Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework	**127,602**	**373,722**	**22,974**	**(208,179)**	**2,877**	**318,996**

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.
3 Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2016	Level 1	Level 2	Level 3	Netting impact [1]	Liabilities measured at net asset value per share [2]	Total
Liabilities (CHF million)						
Due to banks	0	445	0	–	–	445
Customer deposits	0	3,157	410	–	–	3,567
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	19,634	0	–	–	19,634
Debt	619	419	1	–	–	1,039
of which corporates	1	375	1	–	–	377
Equity	30,706	750	69	–	–	31,525
Obligation to return securities received as collateral	31,325	1,169	70	–	–	32,564
Debt	4,376	3,564	23	–	–	7,963
of which foreign governments	4,374	547	0	–	–	4,921
of which corporates	0	2,760	23	–	–	2,783
Equity	16,387	191	41	–	1	16,620
Derivatives	5,407	229,300	3,673	(218,012)	–	20,368
of which interest rate products	2,946	126,200	538	–	–	–
of which foreign exchange products	18	71,009	150	–	–	–
of which equity/index-related products	2,442	22,687	1,181	–	–	–
of which credit derivatives	0	8,350	851	–	–	–
Trading liabilities	26,170	233,055	3,737	(218,012)	1	44,951
Short-term borrowings	0	3,545	516	–	–	4,061
Long-term debt	0	58,555	13,415	–	–	71,970
of which treasury debt over two years	0	3,217	0	–	–	3,217
of which structured notes over one year and up to two years	0	6,852	326	–	–	7,178
of which structured notes over two years	0	39,824	12,434	–	–	52,258
of which other debt instruments over two years	0	2,311	634	–	–	2,945
of which other subordinated bonds	0	4,584	1	–	–	4,585
of which non-recourse liabilities	0	1,742	17	–	–	1,759
Other liabilities	0	8,624	1,679	(816)	–	9,487
of which failed sales	0	507	219	–	–	726
Total liabilities at fair value	**57,495**	**328,184**	**19,827**	**(218,828)**	**1**	**186,679**

[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.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2015	Level 1	Level 2	Level 3	Netting impact [1]	Assets measured at net asset value per share [2]	Total
Assets (CHF million)						
Cash and due from banks	0	89	0	–	–	89
Interest-bearing deposits with banks	0	2	0	–	–	2
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	83,407	158	–	–	83,565
Debt	811	493	0	–	–	1,304
of which corporates	0	261	0	–	–	261
Equity	27,141	66	0	–	–	27,207
Securities received as collateral	27,952	559	0	–	–	28,511
Debt	27,932	48,050	4,564	–	–	80,546
of which foreign governments	27,710	3,737	285	–	–	31,732
of which corporates	13	15,765	1,746	–	–	17,524
of which RMBS	0	22,302	814	–	–	23,116
of which CMBS	0	3,924	215	–	–	4,139
of which CDO	0	2,317	1,298	–	–	3,615
Equity	64,351	4,195	871	–	1,685	71,102
Derivatives	2,625	265,362	4,831	(244,239)	–	28,579
of which interest rate products	657	167,269	791	–	–	–
of which foreign exchange products	104	59,742	383	–	–	–
of which equity/index-related products	1,857	20,053	936	–	–	–
of which credit derivatives	0	16,267	1,568	–	–	–
Other	2,034	4,569	4,266	–	–	10,869
Trading assets	96,942	322,176	14,532	(244,239)	1,685	191,096
Debt	1,322	1,142	148	–	–	2,612
of which foreign governments	1,322	0	0	–	–	1,322
of which corporates	0	281	0	–	–	281
of which RMBS	0	602	148	–	–	750
of which CMBS	0	259	0	–	–	259
Equity	2	84	0	–	–	86
Investment securities	1,324	1,226	148	–	–	2,698
Private equity	0	0	0	–	1,033	1,033
of which equity funds	0	0	0	–	428	428
Hedge funds	0	0	0	–	295	295
of which debt funds	0	0	0	–	260	260
Other equity investments	0	23	365	–	840	1,228
of which private	0	14	365	–	840	1,219
Life finance instruments	0	2	1,669	–	–	1,671
Other investments	0	25	2,034	–	2,168	4,227
Loans	0	11,870	8,950	–	–	20,820
of which commercial and industrial loans	0	5,811	5,735	–	–	11,546
of which financial institutions	0	4,102	1,729	–	–	5,831
Other intangible assets (mortgage servicing rights)	0	0	112	–	–	112
Other assets	687	18,863	7,087	(1,011)	–	25,626
of which loans held-for-sale	0	14,378	6,768	–	–	21,146
Total assets at fair value	**126,905**	**438,217**	**33,021**	**(245,250)**	**3,853**	**356,746**
Less other investments – equity at fair value attributable to noncontrolling interests	0	(9)	(119)	–	(473)	(601)
Less assets consolidated under ASU 2009-17 [3]	0	(9,212)	(3,558)	–	–	(12,770)
Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework	**126,905**	**428,996**	**29,344**	**(245,250)**	**3,380**	**343,375**

[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.
[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2015	Level 1	Level 2	Level 3	Netting impact [1]	Liabilities measured at net asset value per share [2]	Total
Liabilities (CHF million)						
Due to banks	0	490	0	–	–	490
Customer deposits	0	3,402	254	–	–	3,656
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	32,398	0	–	–	32,398
Debt	811	493	0	–	–	1,304
of which corporates	0	261	0	–	–	261
Equity	27,141	66	0	–	–	27,207
Obligation to return securities received as collateral	27,952	559	0	–	–	28,511
Debt	4,100	4,289	16	–	–	8,405
of which foreign governments	4,050	491	0	–	–	4,541
of which corporates	30	3,597	16	–	–	3,643
Equity	16,899	154	45	–	6	17,104
Derivatives	3,062	270,135	4,554	(254,206)	–	23,545
of which interest rate products	671	160,026	578	–	–	–
of which foreign exchange products	82	70,382	329	–	–	–
of which equity/index-related products	2,299	22,515	1,347	–	–	–
of which credit derivatives	0	15,522	1,757	–	–	–
Trading liabilities	24,061	274,578	4,615	(254,206)	6	49,054
Short-term borrowings	0	3,040	72	–	–	3,112
Long-term debt	0	65,879	14,123	–	–	80,002
of which treasury debt over two years	0	4,590	0	–	–	4,590
of which structured notes over one year and up to two years	0	6,396	364	–	–	6,760
of which structured notes over two years	0	38,066	9,924	–	–	47,990
of which other debt instruments over two years	0	1,435	638	–	–	2,073
of which other subordinated bonds	0	4,547	0	–	–	4,547
of which non-recourse liabilities	0	10,642	3,197	–	–	13,839
Other liabilities	0	9,999	2,483	(737)	–	11,745
of which failed sales	0	530	454	–	–	984
Total liabilities at fair value	**52,013**	**390,345**	**21,547**	**(254,943)**	**6**	**208,968**

[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.

Transfers between level 1 and level 2

in	**2016**		2015	
	Transfers to level 1 out of level 2	Transfers out of level 1 to level 2	Transfers to level 1 out of level 2	Transfers out of level 1 to level 2
Assets (CHF million)				
Debt	2,012	1,698	85	187
Equity	723	1,074	566	1,257
Derivatives	3,404	0	4,328	24
Trading assets	**6,139**	**2,772**	**4,979**	**1,468**
Investment securities	**0**	**1,229**	**0**	**0**
Liabilities (CHF million)				
Debt	2	46	108	79
Equity	108	166	85	139
Derivatives	4,047	29	4,552	114
Trading liabilities	**4,157**	**241**	**4,745**	**332**

Assets and liabilities measured at fair value on a recurring basis for level 3

2016	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances
Assets (CHF million)						
Interest-bearing deposits with banks	0	0	0	49	(49)	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	158	0	0	0	0	279
Securities received as collateral	0	0	0	100	(33)	0
Debt	4,564	1,574	(1,487)	3,753	(4,514)	0
of which corporates	1,746	836	(677)	2,642	(2,945)	0
of which RMBS	814	587	(573)	525	(668)	0
of which CMBS	215	26	(12)	51	(169)	0
of which CDO	1,298	82	(166)	488	(578)	0
Equity	871	111	(136)	527	(1,057)	0
Derivatives	4,831	1,683	(1,017)	0	0	1,484
of which interest rate products	791	48	(60)	0	0	130
of which equity/index-related products	936	282	(328)	0	0	428
of which credit derivatives	1,568	961	(617)	0	0	543
Other	4,266	858	(1,221)	3,848	(3,644)	0
Trading assets	14,532	4,226	(3,861)	8,128	(9,215)	1,484
Investment securities	148	18	(38)	95	(121)	0
Equity	365	7	(2)	123	(258)	0
Life finance instruments	1,669	0	0	186	(353)	0
Other investments	2,034	7	(2)	309	(611)	0
Loans	8,950	969	(1,942)	524	(1,443)	3,574
of which commercial and industrial loans	5,735	486	(583)	97	(1,007)	1,994
of which financial institutions	1,729	77	(348)	335	(348)	974
Other intangible assets (mortgage servicing rights)	112	0	0	16	(1)	0
Other assets	7,087	572	(1,497)	2,464	(6,801)	898
of which loans held-for-sale [2]	6,768	355	(1,251)	2,192	(6,696)	898
Total assets at fair value	**33,021**	**5,792**	**(7,340)**	**11,685**	**(18,274)**	**6,235**
Liabilities (CHF million)						
Customer deposits	254	0	(41)	0	0	240
Obligation to return securities received as collateral	0	0	0	100	(33)	0
Trading liabilities	4,615	1,588	(1,026)	51	(52)	1,259
of which interest rate derivatives	578	87	(28)	0	0	141
of which foreign exchange derivatives	329	55	(5)	0	0	14
of which equity/index-related derivatives	1,347	130	(293)	0	0	423
of which credit derivatives	1,757	940	(689)	0	0	421
Short-term borrowings	72	45	(30)	0	0	598
Long-term debt	14,123	3,865	(2,393)	0	0	4,510
of which structured notes over two years	9,924	3,484	(2,166)	0	0	4,044
of which non-recourse liabilities	3,197	0	(3)	0	0	182
Other liabilities	2,483	208	(226)	219	(376)	17
of which failed sales	454	44	(121)	142	(308)	0
Total liabilities at fair value	**21,547**	**5,706**	**(3,716)**	**370**	**(461)**	**6,624**
Net assets/(liabilities) at fair value	**11,474**	**86**	**(3,624)**	**11,315**	**(17,813)**	**(389)**

1 For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
2 Includes unrealized losses recorded in trading revenues of CHF (182) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

	Trading revenues		Other revenues		Accumulated other comprehensive income			
Settlements	On transfers in / out [1]	On all other	On transfers in / out [1]	On all other	On transfers in / out	On all other	Foreign currency translation impact	**Balance at end of period**
0	0	1	0	0	0	0	0	1
(270)	0	1	0	0	0	0	6	174
0	0	0	0	0	0	0	3	70
0	(1)	(134)	0	10	0	0	212	3,977
0	0	(42)	0	8	0	0	106	1,674
0	(6)	(91)	0	0	0	0	17	605
0	(1)	(45)	0	0	0	0	0	65
0	2	2	0	2	0	0	35	1,165
0	(45)	(38)	0	0	0	0	7	240
(2,972)	7	173	0	(22)	0	0	138	4,305
(293)	0	117	0	0	0	0	15	748
(473)	9	32	0	(22)	0	0	50	914
(1,710)	1	(64)	0	0	0	0	6	688
(314)	7	290	0	0	0	0	153	4,243
(3,286)	(32)	291	0	(12)	0	0	510	12,765
(124)	(10)	100	0	0	0	0	4	72
0	0	31	0	22	0	0	30	318
0	0	33	0	0	0	0	53	1,588
0	0	64	0	22	0	0	83	1,906
(4,281)	(43)	(11)	0	0	0	0	288	6,585
(2,987)	(14)	(74)	0	0	0	0	169	3,816
(701)	1	41	0	0	0	0	69	1,829
0	0	0	0	6	0	0	5	138
(975)	(46)	(208)	0	(9)	0	0	194	1,679
(975)	(59)	(88)	0	(8)	0	0	180	1,316
(8,936)	**(131)**	**238**	**0**	**7**	**0**	**0**	**1,093**	**23,390**
(20)	0	(64)	0	0	0	41	0	410
0	0	0	0	0	0	0	3	70
(3,494)	100	589	0	(12)	0	0	119	3,737
(244)	14	(25)	0	0	0	0	15	538
(408)	2	160	0	0	0	0	3	150
(748)	32	227	0	0	0	0	63	1,181
(1,806)	50	162	0	0	0	0	16	851
(205)	1	17	(3)	3	0	0	18	516
(7,149)	(64)	(124)	0	0	1	240	406	13,415
(3,004)	(78)	(403)	0	0	1	240	392	12,434
(3,398)	3	48	0	0	0	0	(12)	17
(611)	(72)	(160)	(1)	139	0	0	59	1,679
0	(3)	3	0	0	0	0	8	219
(11,479)	**(35)**	**258**	**(4)**	**130**	**1**	**281**	**605**	**19,827**
2,543	**(96)**	**(20)**	**4**	**(123)**	**(1)**	**(281)**	**488**	**3,563**

Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

2015	Balance at beginning of period	Transfers in	Transfers out	Purchases
Assets (CHF million)				
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	77	0	(41)	0
Securities received as collateral	0	0	0	4
Debt	4,461	1,591	(1,464)	2,942
of which corporates	1,430	823	(468)	1,273
of which RMBS	612	492	(615)	1,064
of which CMBS	257	127	(83)	207
of which CDO	1,421	72	(252)	379
Equity	896	749	(702)	1,185
Derivatives	6,823	2,310	(1,243)	0
of which interest rate products	1,803	53	(282)	0
of which equity/index-related products	1,063	530	(362)	0
of which credit derivatives	2,569	1,574	(599)	0
Other	4,323	1,157	(895)	4,086
Trading assets	16,503	5,807	(4,304)	8,213
Investment securities	3	8	(97)	320
Equity	554	1	(9)	15
Life finance instruments	1,834	0	0	201
Other investments	2,388	1	(9)	216
Loans	9,353	1,347	(1,153)	686
of which commercial and industrial loans	5,853	985	(365)	69
of which financial institutions	1,494	329	(266)	296
Other intangible assets (mortgage servicing rights)	70	0	0	18
Other assets	7,468	4,025	(3,937)	4,244
of which loans held-for-sale	6,851	4,016	(3,841)	4,137
Total assets at fair value	**35,862**	**11,188**	**(9,541)**	**13,701**
Liabilities (CHF million)				
Customer deposits	100	12	(16)	0
Obligation to return securities received as collateral	0	0	0	4
Trading liabilities	6,417	2,515	(1,891)	63
of which interest rate derivatives	1,202	109	(400)	0
of which foreign exchange derivatives	560	19	(36)	0
of which equity/index-related derivatives	1,466	297	(796)	0
of which credit derivatives	2,760	1,860	(628)	0
Short-term borrowings	95	98	(37)	0
Long-term debt	14,608	2,603	(4,819)	0
of which structured notes over two years	10,267	1,117	(3,293)	0
of which non-recourse liabilities	2,952	1,197	(902)	0
Other liabilities	3,358	249	(1,238)	184
of which failed sales	616	14	(18)	132
Total liabilities at fair value	**24,578**	**5,477**	**(8,001)**	**251**
Net assets/(liabilities) at fair value	**11,284**	**5,711**	**(1,540)**	**13,450**

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

			Trading revenues		Other revenues			
Sales	Issuances	Settlements	On transfers in / out [1]	On all other	On transfers in / out [1]	On all other	Foreign currency translation impact	**Balance at end of period**
0	259	(141)	0	0	0	0	4	158
(4)	0	0	0	0	0	0	0	0
(2,958)	0	0	(30)	218	0	0	(196)	4,564
(1,373)	0	0	(17)	185	0	0	(107)	1,746
(772)	0	0	(6)	29	0	0	10	814
(265)	0	0	(2)	(24)	0	0	(2)	215
(364)	0	0	(6)	51	0	0	(3)	1,298
(1,010)	0	0	(34)	(210)	0	0	(3)	871
0	1,493	(3,875)	11	(545)	0	0	(143)	4,831
0	304	(719)	6	(341)	0	0	(33)	791
0	366	(680)	10	32	0	0	(23)	936
0	405	(1,776)	(5)	(547)	0	0	(53)	1,568
(4,276)	0	(292)	(7)	182	0	0	(12)	4,266
(8,244)	1,493	(4,167)	(60)	(355)	0	0	(354)	14,532
(102)	0	(36)	6	39	0	0	7	148
(109)	0	0	0	(19)	0	(28)	(40)	365
(361)	0	0	0	(1)	0	0	(4)	1,669
(470)	0	0	0	(20)	0	(28)	(44)	2,034
(1,055)	3,519	(3,371)	1	(207)	(4)	(14)	(152)	8,950
(687)	2,205	(2,072)	1	(85)	(4)	(14)	(151)	5,735
(213)	811	(639)	0	(85)	0	0	2	1,729
0	0	0	0	9	0	14	1	112
(3,691)	784	(1,309)	(8)	(208)	0	(5)	(276)	7,087
(3,410)	784	(1,309)	(13)	(178)	0	(3)	(266)	6,768
(13,566)	**6,055**	**(9,024)**	**(61)**	**(742)**	**(4)**	**(33)**	**(814)**	**33,021**
0	213	(28)	0	(18)	0	0	(9)	254
(4)	0	0	0	0	0	0	0	0
(57)	1,460	(3,098)	20	(697)	0	(18)	(99)	4,615
0	140	(343)	13	(127)	0	0	(16)	578
0	20	(76)	1	(151)	0	0	(8)	329
0	689	(349)	48	3	0	0	(11)	1,347
0	330	(2,098)	(43)	(362)	0	0	(62)	1,757
0	371	(442)	(1)	(10)	0	0	(2)	72
0	7,386	(4,874)	(16)	(801)	0	(5)	41	14,123
0	5,464	(3,104)	(7)	(566)	0	0	46	9,924
0	912	(807)	(3)	(148)	0	0	(4)	3,197
(218)	10	(244)	11	18	8	403	(58)	2,483
(127)	0	0	2	(160)	0	0	(5)	454
(279)	**9,440**	**(8,686)**	**14**	**(1,508)**	**8**	**380**	**(127)**	**21,547**
(13,287)	**(3,385)**	**(338)**	**(75)**	**766**	**(12)**	**(413)**	**(687)**	**11,474**

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

in			2016			2015
	Trading revenues	Other revenues	**Total revenues**	Trading revenues	Other revenues	**Total revenues**
Gains and losses on assets and liabilities (CHF million)						
Net realized/unrealized gains/(losses) included in net revenues	(116)	(119)	**(235)** [1]	691	(425)	**266** [1]
Whereof:						
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date	125	29	**154**	83	6	**89**

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

Quantitative information about level 3 assets at fair value

end of 2016	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Interest-bearing deposits with banks	1	–	–	–	–	–
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	174	Discounted cash flow	Funding spread, in bp	10	450	259
Securities received as collateral	70	–	–	–	–	–
Debt	3,977					
of which corporates	1,674					
of which	448	Option model	Correlation, in %	(85)	98	23
of which	817	Market comparable	Price, in %	0	117	86
of which	101	Discounted cash flow	Credit spread, in bp	3	1,004	308
of which RMBS	605					
of which	445	Discounted cash flow	Discount rate, in %	0	47	8
			Prepayment rate, in %	2	30	12
			Default rate, in %	0	10	3
			Loss severity, in %	0	100	43
of which	120	Market comparable	Price, in %	21	30	26
of which CMBS	65	Discounted cash flow	Capitalization rate, in %	8	9	9
			Discount rate, in %	2	27	10
			Prepayment rate, in %	0	15	9
of which CDO	1,165					
of which	195	Discounted cash flow	Discount rate, in %	7	27	15
			Prepayment rate, in %	0	30	10
			Credit spread, in bp	328	328	328
			Default rate, in %	0	5	2
			Loss severity, in %	3	100	45
of which	851	Market comparable	Price, in %	208	208	208
Equity	240	Market comparable	EBITDA multiple	3	8	6
			Price, in %	0	100	70

[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.

Quantitative information about level 3 assets at fair value (continued)

end of 2016	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Derivatives	4,305					
of which interest rate products	748	Option model	Correlation, in %	20	100	65
			Prepayment rate, in %	1	32	16
			Volatility skew, in %	(7)	1	(2)
of which equity/index-related products	914	Option model	Correlation, in %	(85)	98	21
			Volatility, in %	2	180	32
			Buyback probability, in % [2]	50	100	62
			Gap risk, in % [3]	0	2	1
of which credit derivatives	688	Discounted cash flow	Credit spread, in bp	0	1,635	396
			Recovery rate, in %	0	45	10
			Discount rate, in %	1	45	21
			Default rate, in %	0	33	5
			Loss severity, in %	15	100	69
			Correlation, in %	97	97	97
			Prepayment rate, in %	0	13	5
Other	4,243					
of which	3,005	Market comparable	Price, in %	0	116	39
of which	882	Discounted cash flow	Market implied life expectancy, in years	3	19	8
Trading assets	12,765					
Investment securities	72	–	–	–	–	–
Private equity	8	–	–	–	–	–
Other equity investments	310	–	–	–	–	–
Life finance instruments	1,588	Discounted cash flow	Market implied life expectancy, in years	2	19	6
Other investments	1,906					
Loans	6,585					
of which commercial and industrial loans	3,816					
of which	2,959	Discounted cash flow	Credit spread, in bp	5	5,400	544
of which	852	Market comparable	Price, in %	0	100	51
of which financial institutions	1,829					
of which	1,588	Discounted cash flow	Credit spread, in bp	67	952	342
of which	149	Market comparable	Price, in %	0	550	483
Other intangible assets (mortgage servicing rights)	138	–	–	–	–	–
Other assets	1,679					
of which loans held-for-sale	1,316					
of which	760	Discounted cash flow	Credit spread, in bp	117	1,082	334
			Recovery rate, in %	6	100	74
of which	356	Market comparable	Price, in %	0	102	78
Total level 3 assets at fair value	**23,390**					

[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.
[2] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

Quantitative information about level 3 assets at fair value (continued)

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	158	Discounted cash flow	Funding spread, in bp	350	475	361
Debt	4,564					
of which corporates	1,746					
of which	240	Option model	Correlation, in %	(87)	99	17
of which	836	Market comparable	Price, in %	0	128	29
of which	285	Discounted cash flow	Credit spread, in bp	134	1,408	493
of which RMBS	814	Discounted cash flow	Discount rate, in %	1	36	8
			Prepayment rate, in %	0	27	9
			Default rate, in %	0	20	3
			Loss severity, in %	0	100	50
of which CMBS	215	Discounted cash flow	Capitalization rate, in %	7	8	7
			Discount rate, in %	0	23	8
			Prepayment rate, in %	0	16	3
			Default rate, in %	0	32	1
			Loss severity, in %	0	75	4
of which CDO	1,298					
of which	66	Vendor price	Price, in %	0	100	96
of which	329	Discounted cash flow	Discount rate, in %	1	25	11
			Prepayment rate, in %	0	20	14
			Credit spread, in bp	293	336	309
			Default rate, in %	0	10	2
			Loss severity, in %	0	100	46
of which	807	Market comparable	Price, in %	214	214	214
Equity	871					
of which	342	Option model	Volatility, in %	2	253	29
of which	471	Market comparable	EBITDA multiple	3	12	8
			Price, in %	0	202	96

[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.

Quantitative information about level 3 assets at fair value (continued)

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Derivatives	4,831					
of which interest rate products	791	Option model	Correlation, in %	17	100	63
			Prepayment rate, in %	1	36	16
			Volatility skew, in %	(8)	0	(2)
			Mean reversion, in % [2]	5	10	10
			Credit spread, in bp	130	1,687	330
of which equity/index-related products	936					
of which	778	Option model	Correlation, in %	(87)	99	23
			Volatility, in %	0	253	26
of which	109	Market comparable	EBITDA multiple	4	10	7
			Price, in %	97	97	97
of which credit derivatives	1,568	Discounted cash flow	Credit spread, in bp	1	2,349	331
			Recovery rate, in %	0	60	23
			Discount rate, in %	2	50	19
			Default rate, in %	1	35	6
			Loss severity, in %	15	100	64
			Correlation, in %	43	97	85
			Prepayment rate, in %	0	12	4
			Funding spread, in bp	61	68	67
Other	4,266					
of which	2,859	Market comparable	Price, in %	0	106	45
of which	865	Discounted cash flow	Market implied life expectancy, in years	3	18	8
Trading assets	14,532					
Investment securities	148	–	–	–	–	–
Other equity investments	365	–	–	–	–	–
Life finance instruments	1,669	Discounted cash flow	Market implied life expectancy, in years	2	20	8
Other investments	2,034					
Loans	8,950					
of which commercial and industrial loans	5,735					
of which	3,799	Discounted cash flow	Credit spread, in bp	70	2,528	474
of which	1,146	Market comparable	Price, in %	0	106	65
of which financial institutions	1,729					
of which	1,451	Discounted cash flow	Credit spread, in bp	84	826	359
of which	109	Market comparable	Price, in %	0	100	98
Other intangible assets (mortgage servicing rights)	112	–	–	–	–	–
Other assets	7,087					
of which loans held-for-sale	6,768					
of which	3,594	Vendor price	Price, in %	0	101	97
of which	722	Discounted cash flow	Credit spread, in bp	99	3,220	515
			Recovery rate, in %	1	1	1
of which	2,251	Market comparable	Price, in %	0	104	76
Total level 3 assets at fair value	**33,021**					

[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.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.

Quantitative information about level 3 liabilities at fair value

end of 2016	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Customer deposits	410	–	–	–	–	–
Obligation to return securities received as collateral	70	–	–	–	–	–
Trading liabilities	3,737					
of which interest rate derivatives	538	Option model	Basis spread, in bp	(2)	66	33
			Correlation, in %	20	100	57
			Prepayment rate, in %	1	32	9
			Gap risk, in % [2]	20	20	20
			Funding spread, in bp	237	237	237
of which foreign exchange derivatives	150					
of which	65	Option model	Correlation, in %	(10)	70	49
			Prepayment rate, in %	22	32	27
of which	69	Discounted cash flow	Contingent probability, in %	95	95	95
of which equity/index-related derivatives	1,181	Option model	Correlation, in %	(85)	98	23
			Volatility, in %	2	180	28
			Buyback probability, in % [3]	50	100	62
of which credit derivatives	851	Discounted cash flow	Credit spread, in bp	0	1,635	163
			Discount rate, in %	2	45	21
			Default rate, in %	0	33	5
			Recovery rate, in %	20	60	35
			Loss severity, in %	15	100	70
			Correlation, in %	43	85	63
			Prepayment rate, in %	0	13	5
Short-term borrowings	516	–	–	–	–	–
Long-term debt	13,415					
of which structured notes over two years	12,434					
of which	12,008	Option model	Correlation, in %	(85)	99	23
			Volatility, in %	0	180	23
			Buyback probability, in % [3]	50	100	62
			Gap risk, in % [2]	0	2	1
			Mean reversion, in % [4]	(14)	(1)	(6)
of which	286	Discounted cash flow	Credit spread, in bp	1	452	89
Other liabilities	1,679					
of which failed sales	219					
of which	163	Market comparable	Price, in %	0	100	68
of which	39	Discounted cash flow	Discount rate, in %	11	29	21
Total level 3 liabilities at fair value	**19,827**					

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.
2 Risk of unexpected large declines in the underlying values between collateral settlement dates.
3 Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
4 Management's best estimate of the speed at which interest rates will revert to the long-term average.

Quantitative information about level 3 liabilities at fair value (continued)

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Customer deposits	254	–	–	–	–	–
Trading liabilities	4,615					
of which interest rate derivatives	578	Option model	Basis spread, in bp	(7)	53	25
			Correlation, in %	17	100	75
			Mean reversion, in % [2]	5	10	8
			Prepayment rate, in %	0	36	9
			Gap risk, in % [3]	20	20	20
			Funding spread, in bp	218	218	218
of which foreign exchange derivatives	329	Option model	Correlation, in %	(10)	70	54
			Prepayment rate, in %	24	36	30
of which equity/index-related derivatives	1,347	Option model	Correlation, in %	(87)	99	17
			Volatility, in %	2	253	26
			Buyback probability, in % [4]	50	100	59
of which credit derivatives	1,757	Discounted cash flow	Credit spread, in bp	1	1,687	275
			Discount rate, in %	2	50	19
			Default rate, in %	1	33	5
			Recovery rate, in %	8	60	27
			Loss severity, in %	15	100	64
			Correlation, in %	17	95	80
			Funding spread, in bp	51	68	68
			Prepayment rate, in %	0	12	5
Short-term borrowings	72	–	–	–	–	–
Long-term debt	14,123					
of which structured notes over two years	9,924	Option model	Correlation, in %	(87)	99	17
			Volatility, in %	2	253	28
			Buyback probability, in % [4]	50	100	59
			Gap risk, in % [3]	0	3	1
			Credit spread, in bp	153	182	177
of which non-recourse liabilities	3,197					
of which	3,183	Vendor price	Price, in %	0	101	97
of which	14	Market comparable	Price, in %	0	87	9
Other liabilities	2,483					
of which failed sales	454					
of which	379	Market comparable	Price, in %	0	106	90
of which	68	Discounted cash flow	Credit spread, in bp	571	1,687	1,425
			Discount rate, in %	7	23	15
Total level 3 liabilities at fair value	**21,547**					

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.
2 Management's best estimate of the speed at which interest rates will revert to the long-term average.
3 Risk of unexpected large declines in the underlying values between collateral settlement dates.
4 Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.

Fair value, unfunded commitments and term of redemption conditions

end of	2016				2015			
	Non-redeemable	Redeemable	Total fair value	Unfunded commit-ments	Non-redeemable	Redeemable	Total fair value	Unfunded commit-ments
Fair value and unfunded commitments (CHF million)								
Debt funds	0	0	0	0	2	0	2	0
Equity funds	65	1,281 [1]	1,346	0	79	1,606 [2]	1,685	0
Equity funds sold short	0	(1)	(1)	0	0	(6)	(6)	0
Total funds held in trading assets and liabilities	65	1,280	1,345	0	81	1,600	1,681	0
Debt funds	215	77	292	0	184	76	260	1
Equity funds	2	51	53	0	0	0	0	0
Others	0	201	201	0	0	35	35	0
Hedge funds	217	329 [3]	546	0	184	111 [4]	295	1
Debt funds	5	0	5	20	11	0	11	17
Equity funds	232	0	232	41	428	0	428	114
Real estate funds	212	0	212	50	282	0	282	76
Others	116	0	116	58	312	0	312	141
Private equities	565	0	565	169	1,033	0	1,033	348
Equity method investments	348	637	985	218	660	196	856	100
Total funds held in other investments	1,130	966	2,096	387	1,877	307	2,184	449
Total fair value	**1,195** [5]	**2,246** [6]	**3,441**	**387** [7]	**1,958** [5]	**1,907** [6]	**3,865**	**449** [7]

1 58% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 17% is redeemable on a quarterly basis with a notice period primarily of more than 45 days, and 2% is redeemable on an annual basis with a notice period of more than 60 days.
2 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
3 68% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 26% is redeembale on a monthly basis with a notice period primarily of less than 30 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, and 1% is redeemable on an annual basis with a notice period primarily of more than 45 days.
4 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.
5 Includes CHF 334 million and CHF 464 million attributable to noncontrolling interests in 2016 and 2015, respectively.
6 Includes CHF 231 million and CHF 9 million attributable to noncontrolling interests in 2016 and 2015, respectively.
7 Includes CHF 88 million and CHF 176 million attributable to noncontrolling interests in 2016 and 2015, respectively.

Nonrecurring fair value changes

end of	2016	2015
Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)		
Assets held-for-sale recorded at fair value on a nonrecurring basis	**0.1**	**0.1**
of which level 2	0.1	0.1

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

end of			2016			2015
	Aggregate fair value	Aggregate unpaid principal	Difference	Aggregate fair value	Aggregate unpaid principal	Difference
Loans (CHF million)						
Non-interest-earning loans	1,276	4,495	(3,219)	1,628	5,019	(3,391)
Financial instruments (CHF million)						
Interest-bearing deposits with banks	26	25	1	2	2	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	87,331	87,208	123	83,565	83,397	168
Loans	19,528	20,144	(616)	20,820	22,289	(1,469)
Other assets [1]	8,369	11,296	(2,927)	23,906	30,308	(6,402)
Due to banks and customer deposits	(1,120)	(1,059)	(61)	(913)	(826)	(87)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(19,634)	(19,638)	4	(32,398)	(32,381)	(17)
Short-term borrowings	(4,061)	(4,017)	(44)	(3,112)	(3,263)	151
Long-term debt	(71,970)	(75,106)	3,136	(80,002)	(84,351)	4,349
Other liabilities	(727)	(2,331)	1,604	(984)	(2,619)	1,635

1 Primarily loans held-for-sale.

Gains and losses on financial instruments

in	2016	2015	2014
	Net gains/ (losses)	Net gains/ (losses)	Net gains/ (losses)
Financial instruments (CHF million)			
Interest-bearing deposits with banks	4 [1]	(38) [2]	9 [1]
of which related to credit risk	1	1	3
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,440 [1]	1,279 [1]	913 [1]
Other investments	214 [2]	240 [3]	373 [3]
of which related to credit risk	(3)	0	5
Loans	1,643 [1]	439 [1]	10 [2]
of which related to credit risk	(16)	(236)	(151)
Other assets	(507) [2]	111 [1]	1,302 [1]
of which related to credit risk	(200)	(511)	387
Due to banks and customer deposits	(12) [1]	4 [2]	(59) [2]
of which related to credit risk	(22)	19	(17)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(112) [1]	55 [2]	205 [2]
Short-term borrowings	323 [2]	439 [2]	152 [2]
Long-term debt	(1,136) [2]	5,398 [2]	678 [2]
of which related to credit risk [4]	22	224	527
Other liabilities	443 [2]	314 [3]	(175) [2]
of which related to credit risk	312	(95)	(162)

1 Primarily recognized in net interest income.
2 Primarily recognized in trading revenues.
3 Primarily recognized in other revenues.
4 Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

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

	Gains/(losses) recorded into AOCI [1]		Gains/(losses) recorded in AOCI transferred to net income [1]
in	**2016**	**Cumulatively**	**2016**
Financial instruments (CHF million)			
Deposits	(29)	(34)	0
Short-term borrowings	0	(1)	0
Long-term debt	(1,355)	(715)	0
of which treasury debt over two years	(397)	(30)	0
of which structured notes over two years	(958)	(676)	0
Total	**(1,384)**	**(750)**	**0**

[1] Amounts are reflected gross of tax.

Carrying value and fair value of financial instruments not carried at fair value

	Carrying value				Fair value
end of		Level 1	Level 2	Level 3	Total
2016 (CHF million)					
Financial assets					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	47,797	0	47,797	0	47,797
Loans	237,292	0	239,582	4,602	244,184
Other financial assets [1]	171,602	118,888	51,678	1,324	171,890
Financial liabilities					
Due to banks and deposits	363,631	190,446	173,161	0	363,607
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	13,382	0	13,382	0	13,382
Short-term borrowings	11,324	0	11,327	0	11,327
Long-term debt	115,355	0	116,984	521	117,505
Other financial liabilities [2]	62,376	1,595	60,661	116	62,372
2015 (CHF million)					
Financial assets					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	39,871	0	39,872	0	39,872
Loans	231,395	4	232,391	6,150	238,545
Other financial assets [1]	150,743	90,740	58,456	1,796	150,992
Financial liabilities					
Due to banks and deposits	349,015	197,645	151,774	0	349,419
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	14,200	0	14,401	0	14,401
Short-term borrowings	5,546	0	5,545	0	5,545
Long-term debt	112,091	0	112,638	778	113,416
Other financial liabilities [2]	63,970	32	63,496	578	64,106

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.
[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

35 Assets pledged and collateral

Assets pledged

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

Assets pledged

end of	2016	2015
Assets pledged (CHF million)		
Total assets pledged or assigned as collateral	116,030	130,983
of which encumbered	83,473	91,278

Collateral

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

Collateral

end of	2016	2015
Collateral (CHF million)		
Fair value of collateral received with the right to sell or repledge	402,690	422,659
of which sold or repledged	167,493	186,298

Other information

end of	2016	2015
Other information (CHF million)		
Cash and securities restricted under foreign banking regulations	27,590	24,592
Swiss National Bank required minimum liquidity reserves	1,873	1,890

▸ Refer to “Note 36 – Assets pledged and collateral” in V – Consolidated financial statements – Credit Suisse Group for further information.

36 Capital adequacy

The Bank is subject to regulation by FINMA. The capital levels of the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2013, the Bank has operated under the international capital adequacy standards known as Basel III, as issued by the Basel Committee on Banking Supervision, the standard setting committee within the Bank for International Settlements (BIS). These standards have affected the measurement of both total eligible capital and risk-weighted assets.

As of December 31, 2016 and 2015, the Bank was adequately capitalized under the regulatory provisions outlined under both FINMA and the BIS guidelines.

▸ Refer to "Note 37 – Capital adequacy" in V – Consolidated financial statements – Credit Suisse Group for further information.

Broker-dealer operations

Certain of the Bank's broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2016 and 2015, the Bank and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

Dividend restrictions

Certain of the Bank's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations).

As of December 31, 2016 and 2015, the Bank was not subject to restrictions on its ability to pay the proposed dividends.

BIS statistics – Basel III

end of	**2016**	2015
Eligible capital (CHF million)		
CET1 capital	35,177	40,013
Additional tier 1 capital	11,605	10,557
Total tier 1 capital	**46,782**	**50,570**
Tier 2 capital	6,921	9,672
Total eligible capital	**53,703**	**60,242**
Risk-weighted assets (CHF million)		
Credit risk	169,400	185,574
Market risk	23,198	29,755
Operational risk	66,055	66,438
Non-counterparty risk	5,116	5,180
Risk-weighted assets	**263,769**	**286,947**
Capital ratios (%)		
CET1 ratio	13.3	13.9
Tier 1 ratio	17.7	17.6
Total capital ratio	20.4	21.0

37 Assets under management

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

‣ Refer to "Note 38 – Assets under management" in V – Consolidated financial statements – Credit Suisse Group for further information.

Assets under management

end of	**2016**	2015
Assets under management (CHF billion)		
Assets in collective investment instruments managed by Credit Suisse	165.7	186.9
Assets with discretionary mandates	228.1	220.3
Other assets under management	840.1	789.7
Assets under management (including double counting)	**1,233.9**	**1,196.9**
of which double counting	32.0	46.8

Changes in assets under management

	2016	2015
Assets under management (CHF billion)		
Assets under management at beginning of period [1]	**1,196.9**	**1,351.1**
Net new assets/(net asset outflows)	26.5	46.4
Market movements, interest, dividends and foreign exchange	35.1	(26.6)
of which market movements, interest and dividends [2]	16.7	10.0
of which foreign exchange	18.4	(36.6)
Other effects	(24.6)	(174.0) [3]
Assets under management at end of period	**1,233.9**	**1,196.9**

[1] Including double counting.
[2] Net of commissions and other expenses and net of interest expenses charged.
[3] Effective as of July 1, 2015, the Group updated its assets under management policy primarily to introduce more specific criteria and indicators to evaluate whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reclassification of CHF 45.9 billion of assets under management to assets under custody within client assets, which has been reflected as a structural effect in the third quarter of 2015.

38 Litigation

‣ Refer to "Note 39 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information.

39 Significant subsidiaries and equity method investments

Significant subsidiaries

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
as of December 31, 2016				
	Credit Suisse AG			
100	AJP Cayman Ltd.	George Town, Cayman Islands	JPY	8,025.6
100	Asset Management Finance LLC	Wilmington, United States	USD	341.8
100	Banco Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	53.6
100	Banco Credit Suisse (México), S.A.	Mexico City, Mexico	MXN	1,716.7
100	Banco de Investimentos Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	164.8
100	Boston Re Ltd.	Hamilton, Bermuda	USD	2.0
100	CJSC Bank Credit Suisse (Moscow)	Moscow, Russia	USD	37.8
100	Column Financial, Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse (Australia) Limited	Sydney, Australia	AUD	34.1
100	Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A.	São Paulo, Brazil	BRL	5.0
100	Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários	São Paulo, Brazil	BRL	98.4
100	Credit Suisse (Channel Islands) Limited	St. Peter Port, Guernsey	USD	6.1
100	Credit Suisse (Deutschland) Aktiengesellschaft	Frankfurt, Germany	EUR	130.0
100	Credit Suisse (Hong Kong) Limited	Hong Kong, China	HKD	13,758.0
100	Credit Suisse (Italy) S.p.A.	Milan, Italy	EUR	139.6
100	Credit Suisse (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	230.9
100	Credit Suisse (Monaco) S.A.M.	Monte Carlo, Monaco	EUR	18.0
100	Credit Suisse (Poland) Sp. z o.o	Warsaw, Poland	PLN	20.0
100	Credit Suisse (Qatar) LLC	Doha, Qatar	USD	29.0
100	Credit Suisse (Schweiz) AG	Zurich, Switzerland	CHF	100.0
100	Credit Suisse (Singapore) Limited	Singapore, Singapore	SGD	743.3
100	Credit Suisse (UK) Limited	London, United Kingdom	GBP	245.2
100	Credit Suisse (USA), Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Asset Management (UK) Holding Limited	London, United Kingdom	GBP	144.2
100	Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft GmbH	Frankfurt, Germany	EUR	6.1
100	Credit Suisse Asset Management International Holding Ltd	Zurich, Switzerland	CHF	20.0
100	Credit Suisse Asset Management Investments Ltd	Zurich, Switzerland	CHF	0.1
100	Credit Suisse Asset Management Limited	London, United Kingdom	GBP	45.0
100	Credit Suisse Asset Management, LLC	Wilmington, United States	USD	1,086.8
100	Credit Suisse Atlas I Investments (Luxembourg) S.à.r.l.	Luxembourg, Luxembourg	USD	0.0
100	Credit Suisse Business Analytics (India) Private Limited	Mumbai, India	INR	40.0
100	Credit Suisse Capital LLC	Wilmington, United States	USD	937.6

Significant subsidiaries (continued)

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
100	Credit Suisse Energy LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Equities (Australia) Limited	Sydney, Australia	AUD	62.5
100	Credit Suisse Finance (India) Private Limited	Mumbai, India	INR	1,050.1
100	Credit Suisse First Boston (Latam Holdings) LLC	George Town, Cayman Islands	USD	23.8
100	Credit Suisse First Boston Finance B.V.	Amsterdam, The Netherlands	EUR	0.0
100	Credit Suisse First Boston Mortgage Capital LLC	Wilmington, United States	USD	356.6
100	Credit Suisse First Boston Next Fund, Inc.	Wilmington, United States	USD	10.0
100	Credit Suisse Fund Management S.A.	Luxembourg, Luxembourg	CHF	0.3
100	Credit Suisse Fund Services (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	1.5
100	Credit Suisse Funds AG	Zurich, Switzerland	CHF	7.0
100	Credit Suisse Group Finance (U.S.) Inc.	Wilmington, United States	USD	100.0
100	Credit Suisse Hedging-Griffo Corretora de Valores S.A.	São Paulo, Brazil	BRL	29.6
100	Credit Suisse Holding Europe (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	32.6
100	Credit Suisse Holdings (Australia) Limited	Sydney, Australia	AUD	42.0
100 [1]	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	550.0
100	Credit Suisse Istanbul Menkul Degerler A.S.	Istanbul, Turkey	TRY	6.8
100	Credit Suisse Leasing 92A, L.P.	New York, United States	USD	43.9
100	Credit Suisse Life & Pensions AG	Vaduz, Liechtenstein	CHF	15.0
100	Credit Suisse Life (Bermuda) Ltd.	Hamilton, Bermuda	USD	1.0
100	Credit Suisse Loan Funding LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Management LLC	Wilmington, United States	USD	896.8
100	Credit Suisse Prime Securities Services (USA) LLC	Wilmington, United States	USD	263.3
100	Credit Suisse Principal Investments Limited	George Town, Cayman Islands	JPY	3,324.0
100	Credit Suisse Private Equity, LLC	Wilmington, United States	USD	42.2
100	Credit Suisse PSL GmbH	Zurich, Switzerland	CHF	0.0
100	Credit Suisse Saudi Arabia	Riyadh, Saudi Arabia	SAR	300.0
100	Credit Suisse Securities (Canada), Inc.	Toronto, Canada	CAD	3.4
100	Credit Suisse Securities (Europe) Limited	London, United Kingdom	USD	3,859.3
100	Credit Suisse Securities (Hong Kong) Limited	Hong Kong, China	HKD	2,080.9
100	Credit Suisse Securities (India) Private Limited	Mumbai, India	INR	2,214.7
100	Credit Suisse Securities (Japan) Limited	Tokyo, Japan	JPY	78,100.0
100	Credit Suisse Securities (Johannesburg) Proprietary Limited	Johannesburg, South Africa	ZAR	0.0
100	Credit Suisse Securities (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR	100.0
100	Credit Suisse Securities (Moscow)	Moscow, Russia	RUB	97.1
100	Credit Suisse Securities (Singapore) Pte Limited	Singapore, Singapore	SGD	30.0
100	Credit Suisse Securities (Thailand) Limited	Bangkok, Thailand	THB	500.0
100	Credit Suisse Securities (USA) LLC	Wilmington, United States	USD	1,131.7
100	Credit Suisse Services (India) Private Limited	Pune, India	INR	0.1
100	Credit Suisse Services (USA) LLC	Wilmington, United States	USD	0.0
100	CSAM Americas Holding Corp.	Wilmington, United States	USD	0.0
100	CS Non-Traditional Products Ltd.	Nassau, Bahamas	USD	0.1
100	DLJ Merchant Banking Funding, Inc	Wilmington, United States	USD	0.0
100	DLJ Mortgage Capital, Inc.	Wilmington, United States	USD	0.0
100	Fides Treasury Services AG	Zurich, Switzerland	CHF	2.0
100	Merban Equity AG	Zug, Switzerland	CHF	0.1
100	Merchant Holding, Inc	Wilmington, United States	USD	0.0
100	SPS Holding Corporation	Wilmington, United States	USD	0.1
99	PT Credit Suisse Securities Indonesia	Jakarta, Indonesia	IDR	235,000.0
98	Credit Suisse Hypotheken AG	Zurich, Switzerland	CHF	0.1
98 [2]	Credit Suisse International	London, United Kingdom	USD	12,366.1

[1] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.
[2] Remaining 2% held directly by Credit Suisse Group AG. 98% of voting rights and 98% of equity interest held by Credit Suisse AG.

Significant equity method investments

Equity interest in %	Company name	Domicile
as of December 31, 2016		
	Credit Suisse AG	
33	Credit Suisse Founder Securities Limited	Beijing, China
23	E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd	Melbourne, Australia
20	ICBC Credit Suisse Asset Management Co., Ltd.	Beijing, China
5 [1]	York Capital Management Global Advisors, LLC	New York, United States
0 [1]	Holding Verde Empreendimentos e Participações S.A.	São Paulo, Brazil

[1] The Bank holds a significant noncontrolling interest.

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

▸ Refer to “Note 43 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)” in V – Consolidated financial statements – Credit Suisse Group for further information.

Controls and procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Bank has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Bank Chief Executive Officer (CEO) and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2016, the design and operation of the Bank's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has made an evaluation and assessment of the Bank's internal control over financial reporting as of December 31, 2016 using the criteria issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework".

Based upon its review and evaluation, management, including the Bank CEO and CFO, has concluded that the Bank's internal control over financial reporting is effective as of December 31, 2016.

The Bank's independent auditors, KPMG AG, have issued an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2016, as stated in their report, which follows.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Bank's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

KPMG

Report of the Independent Registered Public Accounting Firm

Credit Suisse AG, Zurich

We have audited Credit Suisse AG and subsidiaries' (the "Bank") internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Bank's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and the Bank's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Bank as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated March 24, 2017 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

Nicholas Edmonds	Anthony Anzevino
Licensed Audit Expert	*Global Lead Partner*
Auditor in Charge	

Zurich, Switzerland
March 24, 2017

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

APPENDIX 6 — LEGAL PROCEEDINGS INFORMATION EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2016

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed "Litigation" from pages 374 to 382 of the Credit Suisse annual report 2016 in this appendix 6. References to page numbers in this appendix 6 are to the pages in the Credit Suisse annual report 2016 and not to the pages in this document.

Net new assets

Net new assets measure the degree of success in acquiring assets under management or increasing assets under management through warranted reclassifications. The calculation is based on the direct method, taking into account individual cash payments, security deliveries and cash flows resulting from loan increases or repayments.

Interest and dividend income credited to clients and commissions, interest and fees charged for banking services as well as changes in assets under management due to currency and market volatility are not taken into account when calculating net new assets, as such charges or market movements are not directly related to the Group's success in acquiring assets under management. Similarly other effects mainly relate to asset inflows and outflows due to acquisition or divestiture, exit from businesses or markets or exits due to new regulatory requirements and are not taken into account when calculating net new assets. The Group reviews relevant policies regarding client assets on a regular basis and made refinements during 2016 as it relates to other effect considerations.

Divisional allocation

Assets under management and net new assets for private banking businesses in the Swiss Universal Bank, International Wealth Management and Asia Pacific divisions, the Corporate & Institutional Banking business in the Swiss Universal Bank division and the Strategic Resolution Unit are allocated based on the management areas (business areas) that effectively manage the assets. The distribution of net new assets resulting from internal referral arrangements is governed under the net new asset referral framework, which includes preset percentages for the allocation of net new assets to the businesses.

The allocation of assets under management and net new assets for Asset Management in the Internal Wealth Management division reflects the location where the investment vehicles are managed and where the costs of managing the funds are incurred.

39 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses, including those disclosed below. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

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

The specific matters described below include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters below includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

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

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed below the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

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

Litigation provisions

	2016
CHF million	
Balance at beginning of period	**1,605**
Increase in litigation accruals	3,090
Decrease in litigation accruals	(104)
Decrease for settlements and other cash payments	(791)
Foreign exchange translation	39
Balance at end of period	**3,839**

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed below for which the Group believes an estimate is possible is zero to CHF 1.1 billion.

After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

Enron-related litigation

Two Enron-related actions remain pending against Credit Suisse Securities (USA) LLC (CSS LLC) and certain of its affiliates, one in the US District Court for the Southern District of Texas and one in the US District Court for the Southern District of New York (SDNY). In these actions, plaintiffs assert they relied on Enron's financial statements, and seek to hold the defendants responsible for any inaccuracies in Enron's financial statements. In Connecticut Resources Recovery Authority v. Lay, et al., the plaintiff seeks to recover from multiple defendants, pursuant to the Connecticut Unfair Trade Practices Act and Connecticut state common law, approximately USD 130 million to USD 180 million in losses it allegedly suffered in a business transaction it entered into with Enron. A motion to dismiss is pending. In Silvercreek Management Inc. v. Citigroup, Inc., et al., the plaintiff seeks to assert federal and state law claims relating to its alleged USD 280 million in losses relating to its Enron investments. On November 9, 2015, the plaintiff moved for the court to suggest to the Judicial Panel on Multidistrict Litigation (JPML) that the JPML remand the case to the SDNY. On June 2, 2016, the JPML entered an order granting plaintiffs' motion to remand the Silvercreek Management Inc. v. Citigroup, Inc., et al. case to the SDNY for further proceedings. Credit Suisse and the other defendants have filed a renewed motion to dismiss, which is pending.

Mortgage-related matters

Government and regulatory related matters

Various financial institutions, including CSS LLC and certain of its affiliates, have received requests for information from, and/or have been defending civil actions by, certain regulators and/or government entities, including the US Department of Justice (DOJ) and other members of the Residential Mortgage-Backed Securities (RMBS) Working Group of the US Financial Fraud Enforcement Task Force, regarding the origination, purchase, securitization, servicing and trading of subprime and non-subprime residential and commercial mortgages and related issues. CSS LLC and its affiliates are cooperating with such requests for information.

DOJ RMBS Settlement

On January 18, 2017, CSS LLC and its current and former US subsidiaries and US affiliates reached a settlement with the DOJ related to its legacy RMBS business, a business conducted through 2007. The settlement resolved potential civil claims by the DOJ related to Credit Suisse's packaging, marketing, structuring, arrangement, underwriting, issuance and sale of RMBS. The settlement required the above mentioned entities to pay a USD 2.48 billion civil monetary penalty and, within five years of the settlement, to provide USD 2.80 billion in consumer relief. The civil monetary penalty under the terms of the settlement was paid to the DOJ in January 2017. The consumer relief measures include affordable housing payments and loan forgiveness. The DOJ and Credit Suisse agreed to the appointment of an independent monitor to oversee the completion of the consumer relief requirements of the settlement. As previously disclosed, Credit Suisse recorded a litigation provision of USD 2 billion in the fourth quarter of 2016 in addition to its existing provisions of USD 550 million recorded for this matter in prior periods.

NYAG and NJAG litigation

Following an investigation, on November 20, 2012, the New York Attorney General (NYAG), on behalf of the State of New York, filed a civil action in the Supreme Court for the State of New York, New York County (SCNY) against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 64 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors regarding the due diligence and quality control performed on the mortgage loans underlying the RMBS at issue, and seeks an unspecified amount of damages. On December 18, 2013, the New Jersey Attorney General, on behalf of the State of New Jersey (NJAG), filed a civil action in the Superior Court of New Jersey, Chancery Division, Mercer County (SCNJ), against

CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 13 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors and engaged in fraud or deceit in connection with the offer and sale of RMBS, and seeks an unspecified amount of damages. On August 21, 2014, the SCNJ dismissed without prejudice the action brought against CSS LLC and its affiliates by the NJAG. On September 4, 2014, the NJAG filed an amended complaint against CSS LLC and its affiliates, asserting additional allegations but not expanding the number of claims or RMBS referenced in the original complaint. Both actions are at early procedural points.

Civil litigation

CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases include or have included class action lawsuits, actions by individual investors in RMBS, actions by monoline insurance companies that guaranteed payments of principal and interest for certain RMBS, and repurchase actions by RMBS trusts, trustees and/or investors. Although the allegations vary by lawsuit, plaintiffs in the class actions and individual investor actions have generally alleged that the offering documents of securities issued by various RMBS securitization trusts contained material misrepresentations and omissions, including statements regarding the underwriting standards pursuant to which the underlying mortgage loans were issued; monoline insurers allege that loans that collateralize RMBS they insured breached representations and warranties made with respect to the loans at the time of securitization and that they were fraudulently induced to enter into the transactions; and repurchase action plaintiffs generally allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance. Further, unless otherwise stated, amounts attributable to an "operative pleading" for the individual investor actions are not altered for settlements, dismissals or other occurrences, if any, that may have caused the amounts to change subsequent to the operative pleading. In addition to the mortgage-related actions discussed below, a number of other entities have threatened to assert claims against CSS LLC and/or its affiliates in connection with various RMBS issuances, and CSS LLC and/or its affiliates have entered into agreements with some of those entities to toll the relevant statutes of limitations.

Class action litigations

CSS LLC and certain affiliates and employees were defendants in a class action lawsuit in the SDNY, New Jersey Carpenters Health Fund v. Home Equity Mortgage Trust 2006-5, relating to two RMBS offerings, totaling approximately USD 1.6 billion, sponsored and underwritten by the Credit Suisse defendants. On May 10, 2016, the SDNY granted its final approval of a USD 110 million settlement and entered a final judgment and order of dismissal with prejudice in respect of this matter.

Individual investor actions

CSS LLC and, in some instances, its affiliates, as an RMBS issuer, underwriter and/or other participant, and in some instances its employees, along with other defendants, have been named as defendants in: (i) one action brought by the Federal Deposit Insurance Corporation (FDIC), as receiver for Citizens National Bank and Strategic Capital Bank in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 28 million of the RMBS at issue (approximately 20% of the USD 141 million at issue against all defendants in the operative pleading); such claims were dismissed in their entirety on March 24, 2015 by an SDNY order, which was appealed on April 7, 2015 by the FDIC; on January 18, 2017, the US Court of Appeals for the Second Circuit (Second Circuit) reversed the SDNY's ruling, reinstating all previously-dismissed claims brought by the FDIC as receiver for Citizens National Bank and Strategic Capital Bank in the SDNY against CSS LLC and its affiliates; (ii) two actions brought by the FDIC, as receiver for Colonial Bank: one action which, following the United States Supreme Court's denial of defendants' petition for writ of certiorari on January 9, 2017, will resume in the SDNY, in which claims against CSS LLC relate to approximately USD 92 million of the RMBS at issue (approximately 23% of the USD 394 million at issue against all defendants in the operative pleading); and one action in the Circuit Court of Montgomery County, Alabama, in which claims against CSS LLC and its affiliates relate to approximately USD 153 million of the RMBS at issue (approximately 49% of the USD 311 million at issue against all defendants in the operative pleading); on February 14, 2017, the Circuit Court of Montgomery County dismissed with prejudice claims pertaining to one RMBS offering on which CSS LLC and its affiliates were sued, reducing the RMBS at issue for CSS LLC and its affiliates from approximately USD 153 million to approximately USD 139 million (approximately 45% of the USD 311 million at issue against all defendants in the operative pleading); (iii) one action brought by the Federal Home Loan Banks of Seattle (FHLB Seattle) in Washington state court, in which claims against CSS LLC and its affiliates relate to approximately USD 249 million; on May 4, 2016, the Washington state court presiding in the action granted CSS LLC and its affiliates' motion for partial summary judgment, dismissing with prejudice all claims related to certain RMBS, thus reducing the RMBS at issue against CSS LLC and its affiliates from approximately USD 249 million to approximately USD 104 million; on August 9, 2016, a stipulation of voluntary dismissal with prejudice was filed with the Washington state court, which was entered by the court on August 10, 2016, dismissing the action brought by the FHLB Seattle against CSS LLC and its affiliates; on August 30, 2016, FHLB Seattle appealed the Washington state court's

August 10, 2016 final judgment and order of dismissal, seeking reversal of the court's May 4, 2016 order; the appeal is pending; (iv) one action brought by the Federal Home Loan Bank of Boston in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its affiliates relate to approximately USD 333 million, reduced from USD 373 million following the October 27, 2015 stipulation of voluntary dismissal with prejudice of claims pertaining to certain RMBS offerings on which CSS LLC and its affiliates were sued (approximately 6% of the USD 5.7 billion at issue against all defendants in the operative pleading); on February 6, 2017, the Federal Home Loan Bank of Boston's claims were remanded to the Suffolk County Superior Court; (v) two actions by Massachusetts Mutual Life Insurance Company in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its employees relate to approximately USD 107 million of the RMBS at issue (approximately 97% of the USD 110 million at issue against all defendants in the operative pleadings) and for which a trial is scheduled to begin in July 2017; (vi) one action brought by Watertown Savings Bank in the SCNY, in which claims against CSS LLC and its affiliates relate to an unstated amount of the RMBS at issue; and (vii) one action brought by the Tennessee Consolidated Retirement System in Tennessee state court in which claims against CSS LLC relate to approximately USD 24 million of RMBS at issue against CSS LLC (approximately 4% of the USD 644 million at issue against all defendants in the operative pleading).

CSS LLC and certain of its affiliates and/or employees are the only defendants named in: (i) one action brought by CMFG Life Insurance Company and affiliated entities in the US District Court for the Western District of Wisconsin, in which claims against CSS LLC relate to approximately USD 70 million of RMBS and which has a trial scheduled to begin in October 2017; on December 16, 2016, the US District Court for the Western District of Wisconsin dismissed in part the action brought against CSS LLC, reducing the RMBS at issue for CSS LLC from approximately USD 70 million to approximately USD 62 million; (ii) one action brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 111 million of RMBS; (iii) one action brought by IKB Deutsche Industriebank AG and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 97 million of RMBS; (iv) one action brought by the National Credit Union Administration Board (NCUA) as liquidating agent of the US Central Federal Credit Union, Western Corporate Federal Credit Union and Southwest Corporate Federal Credit Union in the US District Court for the District of Kansas, in which claims against CSS LLC and its affiliate relate to approximately USD 311 million of RMBS, for which the US District Court for the District of Kansas issued an order on May 27, 2015 vacating its prior partial dismissal of the action, increasing the RMBS at issue for CSS LLC and its affiliates from approximately USD 311 million to USD 715 million and which has a trial scheduled to begin in April 2017; on March 23, 2017, CSS LLC and its affiliate reached an agreement in principle to resolve the action with the NCUA; (v) one action brought by Phoenix Light SF Ltd. and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 362 million of RMBS, which was dismissed in its entirety on April 16, 2015; on November 17, 2016, the SCNY, Appellate Division, First Department, issued an order reinstating all previously-dismissed claims brought by Phoenix Light SF Ltd. and affiliated entities against CSS LLC and its affiliates; and (vi) one action brought by Royal Park Investments SA/NV in the SCNY, in which claims against CSS LLC and its affiliate relate to approximately USD 360 million of RMBS. These actions are at various procedural stages.

As disclosed in Credit Suisse's quarterly Financial Reports for 2016, individual investor actions discontinued during the course of 2016 included the following: (i) on April 22, 2016, the SDNY entered judgment without any admission of liability against CSS LLC and its affiliates in favor of the National Credit Union Administration Board, as liquidating agent of the Southwest Corporate Federal Credit Union and Members United Corporate Federal Credit Union, in the amount of USD 50.3 million (plus attorneys' fees and costs), resolving all claims related to approximately USD 229 million of RMBS at issue; (ii) on June 1, 2016, following a settlement, a stipulation of dismissal with prejudice was filed with the US District Court for the Middle District of Alabama, which was entered by the court on June 8, 2016, discontinuing the action brought by the FDIC as receiver for Colonial Bank relating to approximately USD 34 million of the RMBS at issue (approximately 12% of the USD 283 million at issue against all defendants in the operative pleading); (iii) on June 8, 2016, following a settlement, the US Court of Appeals for the Ninth Circuit, presiding in the appeal of the action brought by the FDIC as receiver for Colonial Bank in the US District Court for the Central District of California (CDC), granted the stipulation withdrawing the FDIC's appeal of the CDC's dismissal with prejudice of all claims against CSS LLC relating to approximately USD 12 million of the RMBS at issue (approximately 5% of the USD 259 million at issue against all defendants in the operative pleading); thus the entire action is dismissed with prejudice; and (iv) on July 28, 2016, following a settlement, the Texas state court presiding in the action brought by the Texas County and District Retirement System dismissed with prejudice all claims against CSS LLC; these claims related to an unstated amount of the RMBS at issue.

In addition, on January 27 and January 30, 2017, following a settlement, the California state court presiding over the actions brought by the Federal Home Loan Bank of San Francisco dismissed with prejudice all claims against CSS LLC and its affiliates, in which claims against CSS LLC and its affiliates related to approximately USD 1.6 billion (approximately 17% of the USD 9.5 billion at issue against all defendants in the operative pleadings, reduced to reflect dismissal of actions relating to certain certificates).

Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in one monoline insurer action pending in the SCNY, commenced by MBIA Insurance Corp. (MBIA) as guarantor for payments of principal and interest related to approximately USD 770 million of RMBS issued in offerings sponsored by Credit Suisse. One theory of liability advanced by MBIA is that an affiliate of CSS LLC must repurchase certain mortgage loans from the trusts at issue. MBIA claims that the vast majority of the underlying mortgage loans breach certain representations and warranties, and that the affiliate has failed to repurchase the allegedly defective loans. In addition, MBIA alleges claims for fraud, fraudulent inducement, material misrepresentations, breaches of warranties, repurchase obligations, and reimbursement. MBIA submitted repurchase demands for loans with an original principal balance of approximately USD 549 million. Discovery is complete, and the parties argued their respective summary judgment motions in November 2016, which remain pending.

Repurchase litigations

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in: (i) one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which plaintiff alleges damages of not less than USD 341 million, which was dismissed without prejudice by order of the SCNY on March 24, 2015, which order was appealed, and which action was re-filed on September 17, 2015 (stayed against DLJ pending resolution of all pending appeals); (ii) one action brought by Home Equity Asset Trust, Series 2006-8, in which plaintiff alleges damages of not less than USD 436 million; (iii) one action brought by Home Equity Asset Trust 2007-1, in which plaintiff alleges damages of not less than USD 420 million; (iv) one action brought by Home Equity Asset Trust Series 2007-3, in which plaintiff alleges damages of not less than USD 206 million, which was dismissed without prejudice by order of the SCNY on December 21, 2015 with leave to restore within one year and which plaintiff moved to restore on December 20, 2016, which the court granted on March 15, 2017 by restoring the case to active status; (v) one action brought by Home Equity Asset Trust 2007-2, in which plaintiff alleges damages of not less than USD 495 million; and (vi) one action brought by CSMC Asset-Backed Trust 2007-NC1, in which no damages amount is alleged. DLJ and its affiliate, Select Portfolio Servicing, Inc. (SPS), are defendants in: one action brought by Home Equity Mortgage Trust Series 2006-1, Home Equity Mortgage Trust Series 2006-3 and Home Equity Mortgage Trust Series 2006-4, in which plaintiffs allege damages of not less than USD 730 million, and allege that SPS obstructed the investigation into the full extent of the defects in the mortgage pools by refusing to afford the trustee reasonable access to certain origination files; and one action brought by Home Equity Mortgage Trust Series 2006-5, in which plaintiff alleges damages of not less than USD 500 million, and alleges that SPS likely discovered DLJ's alleged breaches of representations and warranties but did not notify the trustee of such breaches, in alleged violation of its contractual obligations. These actions are brought in the SCNY and are at early or intermediate procedural points.

As disclosed in Credit Suisse's fourth quarter Financial Report of 2013, the following repurchase actions were dismissed with prejudice in 2013: the three consolidated actions brought by Home Equity Asset Trust 2006-5, Home Equity Asset Trust 2006-6 and Home Equity Asset Trust 2006-7 against DLJ. Those dismissals are on appeal.

Refco-related litigation

In March 2008, CSS LLC was named, along with other financial services firms, accountants, lawyers, officers, directors and controlling persons, as a defendant in an action filed in New York state court (later removed to the SDNY) by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SphinX Trust, which holds claims that belonged to PlusFunds Group, Inc. (PlusFunds), the investment manager for the SPhinX Funds. The operative amended complaint asserted claims against CSS LLC for aiding and abetting breaches of fiduciary duty and aiding and abetting fraud by Refco's insiders in connection with Refco's August 2004 notes offering and August 2005 initial public offering. Plaintiffs sought to recover from defendants more than USD 800 million, consisting of USD 263 million that the SphinX Managed Futures Fund, a SPhinX fund, had on deposit and lost at Refco, several hundred million dollars in alleged additional "lost enterprise" damages of PlusFunds, and pre-judgment interest. In November 2008, CSS LLC filed a motion to dismiss the amended complaint. In February 2012, the court granted in part and denied in part the motion to dismiss, which left intact part of plaintiffs' claim for aiding and abetting fraud. In August 2012, CSS LLC filed a motion for summary judgment with respect to the remaining part of plaintiffs' aiding and abetting fraud claim. In December 2012, the court granted the motion, thus dismissing CSS LLC from the case. The court entered a final judgment dismissing the claims against CSS LLC on August 16, 2014 and, on September 16, 2014, plaintiffs appealed to the Second Circuit. On June 15, 2016, following a settlement, the Second Circuit granted a stipulation withdrawing the appeal. Thus, the entire action against CSS LLC is dismissed with prejudice.

Bank loan litigation

On January 3, 2010, the Bank and other affiliates were named as defendants in a lawsuit filed in the US District Court for the District of Idaho by current or former homeowners in four real estate developments, Tamarack Resort, Yellowstone Club, Lake Las Vegas and Ginn Sur Mer. The Bank arranged, and was the agent bank for, syndicated loans provided to borrowers affiliated with all four developments, and who have been or are now in bankruptcy or foreclosure. Plaintiffs generally allege that the Bank and other affiliates committed fraud by using an unaccepted appraisal method to overvalue the properties with the intention of having the borrowers take out loans they could not repay because it would allow the Bank and other affiliates to later push the borrowers into bankruptcy and take ownership of the properties. Plaintiffs demanded USD 24 billion in damages. Cushman & Wakefield, the appraiser for the properties at issue, is also named as a defendant. After the filing of amended complaints and motions to dismiss, the claims were significantly reduced. On September 24, 2013, the court denied the plaintiffs' motion for class certification so the case cannot proceed as a class action. On February 5, 2015, the court granted plaintiffs' motion for leave to file an amended complaint, adding additional individual plaintiffs. On April 13, 2015, the court granted plaintiffs' motion for leave to add a claim for punitive damages. On November 20, 2015, the plaintiffs moved for partial summary judgment, which the defendants opposed on December 14, 2015. On December 18, 2015, the defendants filed motions for summary judgment. On July 27, 2016, the US District Court for the District of Idaho granted the defendants' motions for summary judgment, dismissing the case with prejudice. The plaintiffs are appealing.

The Bank and other affiliates are also the subject of certain other related litigation regarding certain of these loans as well as other similar real estate developments. Such litigation includes two cases brought in Texas and New York state courts against Bank affiliates by entities related to Highland Capital Management LP (Highland). In the case in Texas state court, a jury trial was held in December 2014 on Highland's claim for fraudulent inducement by affirmative misrepresentation and omission. A verdict was issued for the plaintiff on its claim for fraudulent inducement by affirmative misrepresentation, but the jury rejected its claim that the Bank's affiliates had committed fraudulent inducement by omission. The Texas judge held a bench trial on Highland's remaining claims in May and June 2015, and entered judgment in the amount of USD 287 million (including prejudgment interest) for the plaintiff on September 4, 2015. Both parties filed notices of appeal from that judgment and briefing was completed on March 10, 2017. In the case in New York state court, the court granted in part and denied in part the Bank's summary judgment motion. Both parties appealed that decision, but the appellate court affirmed the decision in full. Bank affiliates separately sued Highland-managed funds on related trades and received a favorable judgment awarding both principal owed and prejudgment interest. Highland appealed the portion of the judgment awarding prejudgment interest, however the original decision was affirmed in its entirety. The parties subsequently agreed to settle the amount owed by the Highland-managed funds under the judgment.

Tax and securities law matters

On May 19, 2014, Credit Suisse AG entered into settlement agreements with several US regulators regarding its US cross-border matters, including the New York State Department of Financial Services (DFS). As part of the settlement, Credit Suisse AG, among other things, engaged an independent corporate monitor that reports to the DFS (a separate position from the independent consultant agreed to in the settlement with the SEC) and provides ongoing reports to various agencies. Credit Suisse AG is paying for the cost of the monitor.

Rates-related matters

Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives. These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including the Group. The Group, which is a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR), is cooperating fully with these investigations. In particular, it has been reported that regulators are investigating whether financial institutions engaged in an effort to manipulate LIBOR, either individually or in concert with other institutions, in order to improve market perception of these institutions' financial health and/or to increase the value of their proprietary trading positions. In response to regulatory inquiries, Credit Suisse commissioned a review of these issues. To date, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with these issues.

The reference rates investigations have also included information requests from regulators regarding trading activities, information sharing and the setting of benchmark rates in the foreign exchange (including electronic trading), supranational, sub-sovereign and agency (SSA) bonds, and commodities (including precious metals) markets. On March 31, 2014, the Swiss Competition Commission announced a formal investigation of numerous Swiss and international financial institutions, including the Group, in relation to the setting of exchange rates in foreign exchange trading. The Group is cooperating fully with these investigations. The investigations are ongoing and it is too soon to predict the final outcome of the investigations.

In addition, members of the US Dollar LIBOR panel, including Credit Suisse, have been named in various civil lawsuits filed in the US. All but two of these matters have been consolidated for pre-trial purposes into a multi-district litigation in the SDNY. On March 29, 2013, the court dismissed a substantial portion of the case against the panel banks, dismissing the claims under the Racketeer Influenced and Corrupt Organizations Act and the Sherman Antitrust Act, as well as all state law claims, leaving only certain claims under the Commodity Exchange Act based on LIBOR-related instruments entered into after May 30, 2008 (extended to after April 14, 2009 in a subsequent order). Plaintiffs appealed part of the decision. On May 23, 2016, the Second Circuit reversed the decision of the SDNY dismissing plaintiffs' Sherman Antitrust Act claims and remanded the claims to the SDNY for additional briefing on the issue of whether such claims have been adequately alleged. Briefing was completed in August 2016 and, in a series of rulings between December 2016 and February 2017, the SDNY dismissed all of plaintiffs' antitrust claims against Credit Suisse. Between April 2013 and November 2015, the SDNY has issued a number of decisions narrowing and defining the scope of the permissible claimants and claims. On August 23, 2013, the SDNY rejected plaintiffs' requests to replead the dismissed causes of action, except for certain of plaintiffs' state law claims, which plaintiffs asserted in amended complaints. In June 2014, the SDNY denied most of defendants' motion to dismiss. On August 4, 2015, the SDNY ruled on certain of defendants' additional motions to dismiss claims brought by plaintiffs not subject to the March 29, 2013 order, and dismissed some of these plaintiffs' claims, including claims under the Racketeer

Influenced and Corrupt Organizations Act and the Sherman Antitrust Act, while allowing certain Commodity Exchange Act claims, fraud, breach of contract, and unjust enrichment claims to survive. On November 3, 2015, the SDNY further dismissed purported classes brought by student loan borrowers and lending institutions and allowed certain over-the-counter plaintiffs to amend their complaints to add new plaintiffs to certain claims.

One matter that is not consolidated in the multi district litigation is also in the SDNY, and the SDNY granted the defendants' motion to dismiss on March 31, 2015, but gave plaintiff leave to file a new pleading. On June 1, 2015, plaintiff filed a motion for leave to file a second amended complaint in the SDNY; defendants' opposition brief was filed on July 15, 2015. Furthermore, in February 2015, various banks that served on the Swiss franc LIBOR panel, including Credit Suisse Group AG, were named in a civil putative class action lawsuit filed in the SDNY, alleging manipulation of Swiss franc LIBOR to benefit defendants' trading positions. On June 19, 2015, the plaintiffs filed an amended complaint. On August 18, 2015, the defendants filed motions to dismiss.

Moreover, in July 2016, various banks that served on the Singapore Interbank Offered Rate (SIBOR) and Singapore Swap Offer Rate (SOR) panels, including Credit Suisse Group AG and affiliates, were named in a civil putative class action lawsuit filed in the SDNY, alleging manipulation of SIBOR and SOR to benefit defendants' trading positions. On October 31, 2016, the plaintiffs filed an amended complaint. On November 18, 2016, defendants filed motions to dismiss.

Additionally, Credit Suisse Group AG and affiliates as well as other financial institutions are named in three pending civil class action lawsuits in the SDNY relating to the alleged manipulation of foreign exchange rates. On January 28, 2015, the court denied defendants' motion to dismiss the original consolidated complaint brought by US-based investors and foreign plaintiffs who transacted in the US, but granted their motion to dismiss the two class actions brought by foreign-based investors. In July 2015, plaintiffs filed a second consolidated amended complaint, adding additional defendants and asserting additional claims on behalf of a second putative class of exchange investors. In August 2015, the court consolidated all foreign exchange-related actions pending in the SDNY, except one putative class action alleging violations of the US Employee Retirement Income Security Act of 1974 (ERISA) based on the same alleged conduct, which is now pending as a separate action. In November 2015, the Group and affiliates, together with other financial institutions, filed a motion to dismiss the second consolidated amended complaint. On September 20, 2016, the SDNY granted in part and denied in part such motion to dismiss. The decision reduced the size of the putative class, but allowed the primary antitrust and Commodity Exchange Act claims to survive. The Group and several affiliates, with other financial institutions, have also been named in two Canadian putative class actions, which make similar allegations. On May 19, 2016, affiliates of Credit Suisse Group AG, along with several other financial institutions, filed a motion to dismiss the putative ERISA class action, which the SDNY granted on August 23, 2016. On September 22, 2016, plaintiffs filed an appeal of that decision. The third pending matter names Credit Suisse Group AG and affiliates, as well as other financial institutions, in a putative class action filed in the SDNY on September 26, 2016, alleging manipulation of the foreign exchange market on behalf of indirect purchasers of foreign exchange instruments. Defendants moved to dismiss the indirect purchaser complaint on January 23, 2017.

Credit Suisse AG, New York Branch, and other financial institutions have also been named in a pending consolidated civil class action lawsuit relating to the alleged manipulation of the ISDAFIX rate for US dollars in the SDNY. On February 12, 2015, the class plaintiffs filed a consolidated amended class action complaint. On April 13, 2015, the defendants filed a motion to dismiss. On April 11, 2016, Credit Suisse AG, New York Branch entered into a settlement agreement with plaintiffs. On May 3, 2016, plaintiffs filed a motion for preliminary approval of the settlement, along with settlements with other financial institutions. On May 11, 2016, the SDNY preliminarily approved plaintiffs' settlement agreements with Credit Suisse AG, New York Branch, and six other financial institutions. The settlement provides for dismissal of the case with prejudice and a settlement payment of USD 50 million by Credit Suisse. The settlements remain subject to final court approval.

CSS LLC, along with over 20 other primary dealers of US treasury securities, has been named in a number of putative civil class action complaints in the US relating to the US treasury markets. These complaints generally allege that defendants colluded to manipulate US treasury auctions, as well as the pricing of US treasury securities in the when-issued market, with impacts upon related futures and options. These actions have been consolidated into a multi-district litigation in the SDNY. Plaintiffs have not yet filed a consolidated amended complaint.

Credit Suisse Group AG and affiliates, along with other financial institutions, have been named in one consolidated putative civil class action complaint and one consolidated complaint filed by individual plaintiffs relating to interest rate swaps, alleging that dealer defendants conspired with trading platforms to prevent the development of interest rate swap exchanges. The individual lawsuits were brought by TeraExchange LLC, a swap execution facility, and affiliates, and Javelin Capital Markets LLC, a swap execution facility, and an affiliate, which claim to have suffered lost profits as a result of defendants' alleged conspiracy. All interest rate swap actions have been consolidated in a multi-district litigation in the SDNY. Both class and individual plaintiffs filed second amended consolidated complaints on December 9, 2016, which defendants moved to dismiss on January 20, 2017.

Additionally, Credit Suisse Group AG and affiliates, along with other financial institutions and individuals, have been named in several putative class action complaints filed in the SDNY relating to SSA bonds. The complaints generally allege that defendants conspired to fix the prices of SSA bonds sold to and purchased from investors in the secondary market. These actions have been consolidated in the SDNY. Plaintiffs have not yet filed a consolidated amended complaint.

On August 16, 2016, Credit Suisse Group AG and Credit Suisse AG, along with other financial institutions, were named in a putative class action brought in the SDNY, alleging manipulation of the Australian Bank Bill Swap reference rate. Plaintiffs filed an amended complaint on December 16, 2016, which defendants moved to dismiss on February 24, 2017.

CDS-related matters

Certain Credit Suisse entities, as well as other banks and entities, were named defendants in a consolidated multi-district civil litigation proceeding in the SDNY alleging violations of antitrust law related to CDS. In September 2014, the court overseeing the litigation granted in part and denied in part the defendants' motion to dismiss, which allowed the case to proceed to discovery. On September 30, 2015, Credit Suisse and the other defendants executed agreements with the putative class action plaintiffs to settle this litigation. On April 18, 2016, the SDNY entered an order granting final approval to the settlement agreements between the putative class action plaintiffs and Credit Suisse and the other defendants, and entering final judgment and dismissal of the parties' respective actions.

As previously disclosed, a Credit Suisse entity received civil investigative demands from the DOJ relating to competition in credit derivatives trading, processing, clearing and information services. By a letter dated September 15, 2016, the DOJ notified Credit Suisse that it has closed its investigation.

Net new assets-related matters

On October 5, 2016, the SEC announced a settlement pursuant to which Credit Suisse agreed to pay USD 90 million and admitted that it did not adequately disclose certain practices related to the recognition of net new assets during the period from the fourth quarter of 2011 until the fourth quarter of 2012.

Alternative trading systems

Credit Suisse has been responding to inquiries from various governmental and regulatory authorities concerning the operation of its alternative trading systems, and has been cooperating with those requests. On January 31, 2016 and February 1, 2016, the SEC and NYAG, respectively, announced settlements with Credit Suisse in three such inquiries. Credit Suisse has paid, on a without admitting-or-denying basis, a total of USD 84.3 million as part of a settlement of various matters related to the operation of its US based alternative trading systems and order handling practices, and related disclosures.

Caspian Energy litigation

A lawsuit was brought against Credit Suisse International (CSI) in English court by Rosserlane Consultants Limited and Swinbrook Developments Limited. The litigation relates to the forced sale by CSI in 2008 of Caspian Energy Group LP (CEG), the vehicle through which the plaintiffs held a 51% stake in the Kyurovdag oil and gas field in Azerbaijan. CEG was sold for USD 245 million following two unsuccessful merger and acquisition processes. The plaintiffs allege that CEG should have been sold for at least USD 700 million. The trial took place at the end of 2014 and on February 20, 2015, the case was dismissed and judgment given in favor of CSI. The plaintiffs appealed the judgment. In January 2017, the Court of Appeal ruled in CSI's favor.

ATA litigation

A lawsuit was filed on November 10, 2014 in the US District Court for the Eastern District of New York (EDNY) against a number of banks, including Credit Suisse AG, alleging claims under the United States Anti-Terrorism Act (ATA). The action alleges a conspiracy between Iran and various international financial institutions, including the defendants, in which they agreed to alter, falsify or omit information from payment messages that involved Iranian parties for the express purpose of concealing the Iranian parties' financial activities and transactions from detection by US authorities. The complaint, brought by approximately 200 plaintiffs, alleges that this conspiracy has made it possible for Iran to transfer funds to Hezbollah and other terrorist organizations actively engaged in harming US military personnel and civilians. On July 12, 2016, plaintiffs filed a second amended complaint in the EDNY against a number of banks, including Credit Suisse AG, alleging claims under the ATA. On September 14, 2016, Credit Suisse AG and the other defendants filed motions to dismiss the plaintiffs' second amended complaint in the EDNY. A lawsuit was filed on November 2, 2016 in the US District Court for the Southern District of Illinois (S.D. Ill.) against a number of banks, including Credit Suisse AG, alleging claims under the ATA. The complaint, brought by approximately 100 plaintiffs, makes allegations similar to the ATA action pending against Credit Suisse AG in the EDNY. On January 23, 2017, plaintiffs filed an amended complaint against the defendants in the S.D. Ill.

MPS

In late 2014, the Monte dei Paschi di Siena Foundation (Foundation) filed a lawsuit in the Civil Court of Milan, Italy seeking EUR 3 billion in damages jointly from Credit Suisse Securities (Europe) Limited (CSSEL), Banca Leonardo & Co S.p.A. and former members of the Foundation's management committee. The lawsuit relates to the fairness opinions CSSEL and Banca Leonardo & Co S.p.A. delivered to the Foundation in connection with the EUR 9 billion acquisition of Banca Antonveneta S.p.A. by Banca Monte dei Paschi di Siena S.p.A. (BMPS) in 2008. BMPS funded the acquisition by a EUR 5 billion rights offer and the issuance of unredeemable securities convertible into BMPS shares, in which the Foundation invested EUR 2.9 billion and EUR 490 million, respectively. The Foundation alleges that the fairness opinions were issued in the absence of key financial information. CSSEL believes that the claim lacks merit and is not supported by the available evidence.

Icelandic banks

CSSEL is defending clawback claims of USD 16 million and EUR 22 million brought by the Winding Up Committees (WUCs) of the Icelandic banks Kaupthing Bank hf and LBI hf (previously Landsbanki Islands hf) in the District Court of Reykjavik, Iceland. The claims concern the buyback by the Icelandic banks of their own bonds from CSSEL in the months prior to the Icelandic banks' insolvency. The primary basis for the clawback is that the buybacks constituted early repayments of debt to CSSEL. In addition, CSI is defending a EUR 170 million clawback claim brought by the WUC of Kaupthing Bank hf in the District Court of Reykjavik, Iceland. The claim relates to CSI's issuance of ten credit linked notes in 2008, which the WUC is seeking to challenge under various provisions of Icelandic insolvency law in order to claw back funds paid to CSI. The WUCs are also claiming significant penalty interest under Icelandic law in respect of both the CSSEL and CSI claims. CSSEL argues that the buyback transactions are governed by English or New York law and CSI argues that the purchase of the credit linked notes is governed by English law, neither of which provides a legal basis for such clawback actions. In October 2014, the Court of the European Free Trade Association States issued a non-binding decision supporting CSI's and CSSEL's position that the governing law of the transactions is relevant. Separately, CSI is pursuing a claim for USD 226 million in the District Court of Reykjavik, Iceland against Kaupthing Bank hf's WUC in order to enforce certain security rights arising under a 2007 structured trade. CSI acquired the security rights following Kaupthing Bank hf's insolvency in 2008. In December 2016, CSSEL, CSI and Kaupthing ehf (formerly Kaupthing Bank hf) entered into a settlement agreement and the Kaupthing related proceedings have now been concluded.

Italian Investigation

Credit Suisse AG resolved a previously-disclosed Italian investigation into alleged tax and money laundering issues through agreements to pay an administrative tax penalty and an administrative sanction. The premise of the alleged tax liability was failure to make required disclosures regarding the activities of Italian clients, and Credit Suisse AG agreed to pay a EUR 18 million administrative tax penalty to resolve these claims. As discussed in "Note 28 – Tax", Credit Suisse AG also made a tax payment of EUR 83 million, comprising EUR 70 million of income tax, associated penalties and interest, on revenue associated with this matter, and EUR 13 million relating to tax and interest on an unrelated Italian tax matter. The premise of the alleged administrative liability was the inadequacy of historical internal controls, and Credit Suisse AG entered an agreement under Article 63 of Italian Administrative Law 231 to pay EUR 8 million in disgorgement of profits and a EUR 1 million administrative sanction. On December 14, 2016, the competent Italian judge approved this agreement under Law 231, which marked the end of the investigation by the Italian authorities. No admission of wrongdoing was required in connection with either agreement.

Customer account matters

Several clients have claimed that a former relationship manager in Switzerland had exceeded his investment authority in the management of their portfolios, resulting in excessive concentrations of certain exposures and investment losses. Credit Suisse AG is investigating the claims, as well as transactions among the clients. Credit Suisse AG filed a criminal complaint against the former relationship manager with the Geneva Prosecutor's Office upon which the prosecutor initiated a criminal investigation. Several clients of the former relationship manager also filed criminal complaints with the Geneva Prosecutor's Office.

FIFA-related matters

In connection with investigations by US and Swiss government authorities into the involvement of financial institutions in the alleged bribery and corruption surrounding the Fédération Internationale de Football Association (FIFA), Credit Suisse has received inquiries from these authorities regarding its banking relationships with certain individuals and entities associated with FIFA, including but not limited to certain persons and entities named and/or described in the May 20, 2015 indictment and the November 25, 2015 superseding indictment filed by the Eastern District of New York US Attorney's Office. The US and Swiss authorities are investigating whether multiple financial institutions, including Credit Suisse, permitted the processing of suspicious or otherwise improper transactions, or failed to observe anti-money laundering laws and regulations, with respect to the accounts of certain persons and entities associated with FIFA. Credit Suisse is cooperating with the authorities on this matter.

External Asset Manager matter

Several clients have claimed that an external asset manager based in Geneva misappropriated funds, forged bank statements, transferred assets between client accounts at Credit Suisse as custodian to conceal losses and made investments without the authorization of those clients. Credit Suisse is investigating the claims. The Geneva Prosecutor's Office initiated a criminal investigation against representatives of the external asset manager and a former Credit Suisse employee.

Mossack Fonseca/Israel Desk matters

Credit Suisse, along with many financial institutions, has received inquiries from governmental and regulatory authorities concerning banking relationships between financial institutions, their clients and the Panama-based law firm of Mossack Fonseca. Credit Suisse has also received governmental and regulatory inquiries concerning cross-border services provided by Credit Suisse's Switzerland-based Israel Desk. Credit Suisse is conducting a review of these issues and has been cooperating with the authorities.

Mozambique matter

Credit Suisse is responding to requests from regulatory and enforcement authorities related to Credit Suisse's arrangement of loan financing to Mozambique state enterprises, Proindicus S.A. and Empresa Mocambiacana de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and Credit Suisse's subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. Credit Suisse has been cooperating with the authorities on this matter.

APPENDIX 7 — OUR FORM 6-K FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

On 5 April 2017, Credit Suisse Group AG and Credit Suisse AG filed with the United States Securities and Exchange Commission a Form 6-K in relation to regulatory and law enforcement authorities seeking records and information concerning investigations into Credit Suisse's historical private banking services on a cross-border basis. We refer you to the complete Form 6-K dated 5 April 2017 in this appendix 7.

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

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

April 5, 2017

Commission File Number 001-15244

CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

Paradeplatz 8, 8001 Zurich, Switzerland
(Address of principal executive office)

Commission File Number 001-33434

CREDIT SUISSE AG

(Translation of registrant's name into English)

Paradeplatz 8, 8001 Zurich, Switzerland
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

This report on Form 6-K is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152).

Credit Suisse offices in various locations have been contacted by regulatory and law enforcement authorities seeking records and information concerning investigations into our historical private banking services on a cross-border basis. Credit Suisse is conducting a review of these issues and has been cooperating with the authorities. Credit Suisse applies a strict zero tolerance policy on tax evasion.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By: /s/ Christian Schmid
Christian Schmid
Managing Director

/s/ Stephan Flückiger
Stephan Flückiger
Director

Date: April 5, 2017

APPENDIX 8 — A BRIEF GUIDE TO CREDIT RATINGS

Information set out in this appendix 8 is based on, extracted or reproduced from the website of S&P at https://www.spratings.com/en_US/home and the website of Moody's at https://www.moodys.com, as at the day immediately preceding the date of this document. Information appearing on those websites does not form part of this document, and we accept no responsibility for the accuracy or completeness of the information appearing on those websites, except that we have accurately extracted and reproduced such information in this appendix 8 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this appendix 8 and/or what a credit rating means, you should seek independent professional advice.

What is a credit rating?

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

What do the credit ratings mean?

Below are guidelines issued by S&P and Moody's on what each of their investment-grade ratings means, as at the day immediately preceding the date of this document.

S&P long-term issuer credit ratings

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Plus (+) or minus (-)

The above ratings (except for 'AAA') may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Please refer to http://www.spratings.com/en_US/understanding-ratings?rd=understandingratings.com for further details.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to https://www.moodys.com/Pages/amr002002.aspx for further details.

Rating Outlooks

A rating outlook indicates the potential direction of a long-term credit rating over the intermediate term (for example, this is typically six months to two years for S&P). A rating outlook issued by S&P or Moody's will usually indicate whether the potential direction is likely to be "positive", "negative", "stable" or "developing". Please refer to the abovementioned websites of the relevant credit rating agencies for further details regarding rating outlooks published by the relevant credit rating agencies.

PARTIES

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