IX – Parent company financial statements – Credit Suisse (Bank)

Report of the Statutory Auditor	519
Parent company financial statements	524
Notes to the financial statements	527
Proposed appropriation of reserves and retained earnings	557

Notes to the financial statements

1 Company details, business developments and subsequent events 527
2 Accounting and valuation principles 527
3 Risk management, derivatives and hedging activities 530
4 Net income from interest activities 540
5 Net income/(loss) from trading activities and fair value option 540
6 Personnel expenses 540
7 General and administrative expenses 540
8 Increase/(release) of provisions and other valuation adjustments, losses and extraordinary income and expenses 541
9 Taxes 541
10 Assets and liabilities from securities lending and borrowing, repurchase and reverse repurchase agreements 541
11 Collateral and impaired loans 542
12 Trading assets and liabilities and other financial instruments held at fair value 543
13 Derivative financial instruments 544
14 Financial investments 547
15 Other assets and other liabilities 547
16 Assets pledged 547
17 Pension plans 548
18 Issued structured products 549
19 Unsecured senior debt and structured notes 549
20 Provisions and valuation adjustments 550
21 Composition of share capital, conversion and reserve capital 550
22 Significant shareholders and groups of shareholders 551
23 Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans 552
24 Amounts receivable from and amounts payable to related parties 554
25 Total assets by country rating 555
26 Fiduciary transactions 555
27 Assets under management 555

Report of the Statutory Auditor

To the General Meeting of Credit Suisse AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Credit Suisse AG, which comprise the balance sheet, statement of income, statement of changes in equity and notes for the year ended December 31, 2018.

Board of Directors' Responsibility

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

Auditor's Responsibility

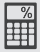
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements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

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

Opinion

In our opinion, the financial statements for the year ended December 31, 2018, comply with Swiss law and Credit Suisse AG's articles of association.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Valuation of financial instruments reported at fair value

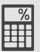
Provisions for litigation and regulatory actions

Valuation of the allowance for loan losses

Valuation of participations

Controls over IT systems impacting financial reporting

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of financial instruments reported at fair value

Key Audit Matter

Credit Suisse AG reports financial assets reported at fair value of CHF 80.8 billion and financial liabilities reported at fair value of CHF 102.1 billion as of December 31, 2018. These financial assets represented 15% of total assets and these financial liabilities represented 21% of total liabilities as of December 31, 2018.

The fair value of the majority of Credit Suisse AG's financial instruments is based on quoted prices in active markets or observable inputs.

In addition, Credit Suisse AG holds financial instruments for which no prices are available and which have little or no observable inputs. For these financial instruments, fair value is determined through the application of valuation techniques, which often involve the exercise of judgment by management including the use of assumptions and estimates. In particular, for financial instruments which do not have directly observable market prices, judgment is often required to determine modelling assumptions that are used in the determination of fair value. Credit Suisse AG also has certain financial instruments that utilize significant, judgmental inputs with varying degrees of observability for purposes of determining fair value. Further, Credit Suisse AG applies significant judgment in calculating certain valuation adjustments including credit, debit and funding valuation adjustments.

Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of financial instruments reported at fair value. This included controls over independent price verification, valuation model approval and the calculation, validation and recording of valuation adjustments.

For a sample of financial instruments, we examined the appropriateness of models used and valuation inputs or data. We compared observable inputs and data against independent sources and externally available market data.

For a sample of instruments which do not have directly observable market prices, we critically examined and challenged the assumptions and models used or re-performed an independent valuation assessment, by reference to what we considered to be available alternative methods and sensitivities to key factors.

We also evaluated the methodology and inputs used in determining key judgmental valuation adjustments (including credit, debit, and funding valuation adjustments) by critically examining and challenging these assumptions and models, and performing recalculations for a sample of these adjustments.

We made use of our own valuation specialists in performing the above procedures, in particular in relation

to the most judgmental financial instruments, models, methodologies and assumptions.

For further information on the valuation of financial instruments reported at fair value refer to the following:

- Note 2 Accounting and valuation principles, “Trading assets and liabilities”
- Note 12 Trading assets and liabilities and other financial instruments held at fair value
- Note 13 Derivative financial instruments

Provisions for litigation and regulatory actions

Key Audit Matter

Credit Suisse AG is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The outcome of such cases is dependent on the future outcome of continuing legal and regulatory processes. Consequently, the calculations of the provisions are subject to inherent uncertainty as they rely on management judgment about the likelihood and amount of liabilities arising from litigation and regulatory claims.

Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to provisions for litigation and regulatory actions. This included controls over the valuation of the litigation provisions and their approval, review and disclosure.

We evaluated Credit Suisse AG’s assessment of the nature and status of litigation, claims and regulatory actions. We considered the legal advice received by Credit Suisse AG from in-house counsel, as well as external counsel, when relevant, for certain of the more significant cases.

We examined Credit Suisse AG’s conclusions with respect to the provisions and disclosures made for significant cases, considering the results of corroborative information obtained from management. In view of the significance of the judgments required, we examined the more significant provisions in detail. For the significant cases, we obtained correspondence directly from Credit Suisse AG’s outside attorneys and, where appropriate, performed corroborative inquiry of outside counsel and tested data and inputs used by management in determining their litigation provisions.

For further information on provisions for litigation and regulatory actions refer to the following:

- Note 2 Accounting and valuation principles, “Provisions”
- Note 20 Provisions and valuation adjustments

Valuation of the allowance for loan losses

Key Audit Matter

Credit Suisse AG reports gross loans held at amortized cost of CHF 183.2 billion and has recorded an allowance for loan losses of CHF 0.9 billion as of December 31, 2018.

Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of the allowance for loan losses. This included controls over the calculation,

The valuation of the allowance for loan losses relies on the application of significant management judgment and the use of different modelling techniques and assumptions. The specific allowance for loan losses involves judgment to estimate the recoverable amount and the collateral value. The collective allowance for loan losses involves judgment in determining the methodology and parameters in calculating the allowance at a portfolio level.

approval, recording and monitoring of the allowance for loan losses. This also included controls over model approval, validation and approval of key data inputs and the qualitative considerations for potential impairment that were not captured by management's models.

For a sample of loan loss allowances calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. We also examined a sample of loans which had not been identified by management as impaired and formed our own opinion about collectability.

For a sample of loan loss allowances calculated on a collective basis we tested the underlying models including the model approval and validation process. We also tested the reasonableness of the inputs to those models, such as recovery rates, by comparing data and assumptions made to external benchmarks, when available.

For further information on the valuation of allowance for loan losses refer to the following:

— Note 2 Accounting and valuation principles, “Due from customers and mortgage loans”
— Note 3 Risk management, “Credit Risk”
— Note 11 Collateral and impaired loans

Valuation of participations

Key Audit Matter

Credit Suisse AG reports participations of CHF 74.4 billion as of December 31, 2018. The participations portfolio consists of investments in subsidiary entities mainly operating in the banking and finance industry.

Participations are valued at acquisition cost less impairment. For the purpose of impairment testing, the portfolio valuation method is applied, and therefore impairment is assessed on the level of the entire portfolio of participations and not individually for each participation. The valuation of participations involves judgment in the projections and assumptions used, which are sensitive to the expected future market developments that could affect the profitability of these entities.

Our response

We assessed and tested the design and implementation of the key controls over financial reporting with respect to the valuation of participations. This included controls over the identification and measurement of impairments, the evaluation of the valuation methodology, key inputs and assumptions used in the determination of the participation value, and management's annual comparison of legal entity plans to past performance.

For a sample of participations, we evaluated key assumptions applied in performing the valuation. We used our own valuation specialists to critically examine and challenge the key assumptions applied by benchmarking them against independent data.

For further information on the valuation of participations refer to the following:

— Note 2 Accounting and valuation principles, “Participations”

Controls over IT systems impacting financial reporting

Key Audit Matter	Our response
Credit Suisse AG is dependent on technology due to the significant number of transactions that are processed daily across Credit Suisse AG's businesses. Credit Suisse AG's IT infrastructure and applications are an integral component of its operations and financial reporting framework. Appropriate IT controls are required to ensure transactions are processed correctly and to mitigate the risk of fraud and error.	We assessed the design of the general IT controls for Credit Suisse AG's key systems relevant to financial reporting. We tested the operating effectiveness of Credit Suisse AG's general IT controls including user access and provisioning (including system enforced segregation of duties), physical access, change management, information security, incident management, and back-up and restoration protocols. Our work included testing whether access requests were appropriately authorised in line with Credit Suisse AG's general IT controls framework and, where required, the effective operation of compensating IT or business controls. Additionally, our work included testing selected system interface controls to confirm the completeness and accuracy of data transfers between systems. In performing our work, we included IT specialists as part of our audit team.

Report on Other Legal Requirements

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

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

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

KPMG AG

Nicholas Edmonds *Licensed Audit Expert* *Auditor in Charge*	Ralph Dicht *Licensed Audit Expert*

Zurich, Switzerland
March 22, 2019

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

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Parent company financial statements

Statements of income

	Note	in 2018	2017
Statements of income (CHF million)			
Interest and discount income		10,940	8,038
Interest and dividend income from trading activities		1,683	592
Interest and dividend income from financial investments		185	20
Interest expense		(10,158)	(6,415)
Gross income from interest activities		**2,650**	**2,235**
(Increase)/release of allowance for default risks and losses from interest activities		(257)	(453)
Net income from interest activities	4	**2,393**	**1,782**
Commission income from securities trading and investment activities		2,168	2,397
Commission income from lending activities		901	753
Commission income from other services		119	244
Commission expense		(588)	(637)
Net income from commission and service activities		**2,600**	**2,757**
Net income/(loss) from trading activities and fair value option	5	**(867)**	**(199)**
Income/(loss) from the disposal of financial investments		16	(11)
Income from participations		2,299	772
Income from real estate		18	20
Other ordinary income		1,198	1,687
Other ordinary expenses		(106)	(333)
Net income from other ordinary activities		**3,425**	**2,135**
Personnel expenses	6	2,064	2,548
General and administrative expenses	7	3,711	3,070
Total operating expenses		**5,775**	**5,618**
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets		2,126	432
Increase/(release) of provisions and other valuation adjustments, and losses	8	69	156
Operating profit/(loss)		**(419)**	**269**
Extraordinary income	8	38	364
Extraordinary expenses	8	0	(5)
Taxes	9	(266)	(403)
Net profit/(loss)		**(647)**	**225**

Balance sheets

	Note	2018	end of 2017
Assets (CHF million)			
Cash and other liquid assets		35,127	55,149
Due from banks		82,924	96,652
Securities borrowing and reverse repurchase agreements	10	69,768	66,677
Due from customers	11	177,104	193,106
Mortgage loans	11	5,162	5,051
Trading assets	12	42,781	48,629
Positive replacement values of derivative financial instruments	13	8,023	9,046
Other financial instruments held at fair value		0	322
Financial investments	14	30,773	18,591
Accrued income and prepaid expenses		2,803	2,810
Participations		74,380	75,439
Tangible fixed assets		2,149	2,370
Intangible assets		1	2
Other assets	15	1,821	2,374
Total assets		**532,816**	**576,218**
Total subordinated receivables		4,505	1,906
of which receivables subject to contractual mandatory conversion and/or cancellation		3,155	550
Liabilities and shareholders' equity			
Due to banks		61,136	74,992
Securities lending and repurchase agreements	10	55,806	61,064
Customer deposits		175,109	161,745
Trading liabilities	12	5,949	6,366
Negative replacement values of derivative financial instruments	13	7,215	8,373
Liabilities from other financial instruments held at fair value	12, 18	54,645	60,945
Bonds and mortgage-backed bonds		121,793	149,831
Accrued expenses and deferred income		3,870	4,617
Other liabilities	15	318	564
Provisions	20	459	548
Total liabilities		**486,300**	**529,045**
Share capital	21	4,400	4,400
Legal capital reserves		38,477	38,477
of which capital contribution reserves		37,913	37,913
Legal income reserves		3,461	3,461
Voluntary income reserves		610	610
Retained earnings		215	0
Net profit/(loss)		(647)	225
Total shareholders' equity		**46,516**	**47,173**
Total liabilities and shareholders' equity		**532,816**	**576,218**
Total subordinated liabilities		15,318	22,461
of which liabilities subject to contractual mandatory conversion and/or cancellation		11,210	15,976

Off-balance sheet transactions

end of	2018	2017
CHF million		
Contingent liabilities	32,441	74,877
Irrevocable commitments	98,749	85,539
Obligations for calls on shares and additional payments	97	57

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

Joint and several liability

On November 20, 2016, the Bank parent company transferred its universal bank business for Swiss customers, comprising a significant part of the division Swiss Universal Bank and parts of the former Sales and Trading Services (STS), a business area providing sales and trading services and which became part of International Trading Solutions, to Credit Suisse (Schweiz) AG. This business transfer was executed through a transfer of assets and liabilities in accordance with the Swiss Merger Act. By operation of the Swiss Merger Act, the Bank parent company assumed a three-year statutory joint and several liability for obligations existing at the transfer date on November 20, 2016 and which were transferred to Credit Suisse (Schweiz) AG. With the exception of certain claims of employees becoming due up to the date upon which the employment relationship could ordinarily have been terminated, or was terminated by the employee if the employee declined to transfer to Credit Suisse (Schweiz) AG, the Bank parent company has no liability for obligations incurred by Credit Suisse (Schweiz) AG after the asset transfer date.

The Bank parent company entered into a contractual arrangement under which it assumed joint and several liability with respect to liabilities of Credit Suisse (Schweiz) AG arising in connection with Credit Suisse (Schweiz) AG's roles under the covered bonds program.

The Bank parent company is a member of Credit Suisse Group AG's Swiss VAT group and therefore subject to joint and several liability according to the Swiss VAT Act.

Deposit insurance guarantee programs

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank, and they jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank parent company's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank parent company, the Bank's share in the deposit insurance guarantee program for the period July 1, 2018 to June 30, 2019 is CHF 48 million. This deposit insurance guarantee was reflected in contingent liabilities.

→ Refer to "Note 24 – Amounts receivable from and amounts payable to related parties" for further information off-balance sheet transactions.

Statement of changes in equity

	Share capital	Legal capital reserves	Legal income reserves	Voluntary income reserves	Retained earnings	Net profit/(loss)	**Total shareholder's equity**
2018 (CHF million)							
Balance at beginning of period	**4,400**	**38,477** [1]	**3,461**	**610**	**0**	**225**	**47,173**
Appropriation of net profit	–	–	–	–	225	(225)	–
Dividends and other distributions	–	–	–	–	(10)	–	(10)
Net profit/(loss)	–	–	–	–	–	(647)	(647)
Balance at end of period	**4,400**	**38,477** [1]	**3,461**	**610**	**215**	**(647)**	**46,516**

1 Includes capital contribution reserves of CHF 37,913 million at the beginning and at the end of the period. Distributions from capital contribution reserves are free of Swiss withholding tax.

Notes to the financial statements

1 Company details, business developments and subsequent events

Company details

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

The Bank parent company is a 100% subsidiary of Credit Suisse Group AG (Group parent company) domiciled in Switzerland.

Number of employees

end of	2018	2017
Full-time equivalents		
Switzerland	5,700	5,850
Abroad	3,700	4,770
Total	**9,400**	**10,620**

Business developments

In connection with the evolution of the legal entity structure of Credit Suisse Group AG and its consolidated subsidiaries (the Group), the Bank parent company transferred certain central functions and related employees from its Singapore branch to the Singapore branch of Credit Suisse Services AG, which became operational in January 2018.

Subsequent events

There were no subsequent events from the balance sheet date until March 22, 2019, the publishing date of these financial statements.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The Bank parent company's stand-alone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance and FINMA circular 2015/1, "Accounting rules for banks, securities dealers, financial groups and conglomerates" (Swiss GAAP statutory) as applicable for the preparation of reliable assessment statutory single-entity financial statements *(Statutarischer Einzelabschluss mit zuverlässiger Darstellung)*. Supplemental information on unsecured senior debt and structured notes as provided by Note 19 is not a required disclosure under these rules.

The consolidated financial statements of Credit Suisse AG and its subsidiaries (Bank) are prepared in accordance with accounting principles generally accepted in the US (US GAAP), which differ in certain material respects from Swiss GAAP statutory.

→ Refer to "Note 1 – Summary of significant accounting policies" in VIII – Consolidated financial statements – Credit Suisse (Bank) for a detailed description of the Bank's accounting and valuation principles.

→ Refer to "Note 39 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in VIII – Consolidated financial statements – Credit Suisse (Bank) for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

The financial year for the Bank parent company ends on December 31.

Certain changes were made to the prior year's financial statements to conform to the current year's presentation and had no impact on net profit/(loss) or total shareholders' equity.

Recording of transactions

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

Foreign currency translations

The Bank parent company's functional currency is Swiss francs (CHF). Transactions denominated in currencies other than the functional currency are recorded using the foreign exchange rates at the date of the transaction.

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

Assets and liabilities of foreign branches are translated to Swiss francs using spot rates as of the balance sheet date. Income and expense items of foreign branches are translated at weighted-average exchange rates for the year. All foreign exchange translation effects are recognized in the statements of income in net income/(loss) from trading activities and fair value option.

The following table provides the foreign exchange rates applied for the preparation of the Bank parent company's stand-alone financial statements.

Foreign exchange rates

	End of	
	2018	2017
1 USD / 1 CHF	0.99	0.98
1 EUR / 1 CHF	1.13	1.17
1 GBP / 1 CHF	1.26	1.32
100 JPY / 1 CHF	0.89	0.87

Cash and other liquid assets

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

Due from banks

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

Due from customers and mortgage loans

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

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

Valuation adjustments are netted with the corresponding assets.

Trading assets and liabilities

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

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

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

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

Derivative financial instruments and hedge accounting

Derivative financial instruments consist of trading and hedging instruments.

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

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

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

For fair value hedges, to the extent these hedges are effective, the gains and losses resulting from the valuation of the hedging instruments are recorded in the same statements of income line items in which gains and losses from the hedged items are recognized. Gains and losses resulting from fair valuing the risk being hedged of the hedged items are not recorded as an adjustment to the carrying value of the hedged items but are recorded in the compensation account included in other assets or other liabilities. Any changes in fair value representing hedging ineffectiveness are recorded in net income from trading activities and fair value option.

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

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

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

Participations
Equity securities in a company, which are owned by the Bank parent company, qualify as a participation if these securities are held for the purpose of permanent investment, irrespective of the percentage of voting shares held, or, if these equity securities are in a banking and financial market infrastructure enterprise, in particular participations in joint organizations. Participations can be held by the Bank parent company in Switzerland and its foreign branches.

Participations are measured at acquisition cost less any impairments. Goodwill and intangible assets related to the acquisition of a participation are part of the participation's historical cost under Swiss GAAP statutory and not separately identified and recorded. For the purpose of impairment testing, the portfolio valuation method is applied. Impairment is assessed at each balance sheet date or at any point in time when facts and circumstances would indicate that an event has occurred which triggers an impairment review. The amount of impairment, if any, is assessed on the level of the entire portfolio of participations and not individually for each participation. An impairment is recorded if the carrying value exceeds the fair value of the participation portfolio. If the fair value of participations recovers significantly and is considered sustainable, a prior period impairment can be reversed up to the historical cost value of the participations.

Other assets and other liabilities
Other assets and other liabilities are generally recorded at cost or nominal value. Other assets and other liabilities include the net balance of the compensation accounts. The compensation account assets and liabilities include changes in the book values of assets and liabilities that are not recognized in the statement of income of a reporting period. In particular, the compensation accounts are used to record the hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity. The gross amounts of compensation account assets and liabilities are offset and reported net on the balance sheet either in other assets or in other liabilities.

Due to banks
Amounts due to banks are recognized at their nominal value.

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

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

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

Provisions which are no longer economically necessary and which are not used in the same reporting period to cover probable obligations of the same nature are released to income:
- tax provisions through line item taxes;
- provisions for pension benefit obligations and staff-related restructuring provisions through personnel expenses; and
- provisions for off-balance sheet related default risks and other provisions including litigation provisions through line item increase/(release) of provisions and other value adjustments, and losses.

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

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

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

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

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

Extraordinary income and expense

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

Contingent liabilities and irrevocable commitments

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

Capital adequacy disclosures

Capital adequacy disclosures for the Group and the Bank parent company are presented in the publications "Pillar 3 and regulatory disclosures – Credit Suisse Group AG" and "Regulatory disclosures – Subsidiaries", respectively, which will be available on the Group's website *credit-suisse.com/regulatorydisclosures*.

New accounting policies to be adopted in future periods

Individual valuation of participations

Under the revised Banking Ordinance of April 30, 2014, which entered into force on January 1, 2015, certain regulations, such as the individual valuation of participations, tangible fixed assets and intangible assets are subject to transitional provisions until the full implementation of the regulation effective January 1, 2020. The requirements regarding individual valuation of tangible fixed assets and intangible assets are met by the Bank parent company's current accounting policies. For participations, the Bank parent company is currently assessing the impact of a change in valuation principle from the portfolio valuation method to the individual valuation method. It has not yet elected the adoption date for this new valuation principle.

As of December 31, 2018, the carrying value of participations included total unrealized losses on certain participations of CHF 9,034 million, which were netted with unrealized gains on other participations of the same amount in accordance with the portfolio method applied under the current accounting policy.

Prior period information

The number of employees for 2017 has been corrected from 12,090 to 10,620 to adjust for employees who were transferred to other Group entities during the course of 2017.

In connection with the transfer of several businesses and related inventories from Credit Suisse Securities (USA) LLC to the New York branch of the Bank parent company in 2017, trading assets transferred under securities lending and borrowing and repurchase agreements were disclosed in "Note 16 – Pledged assets" instead of "Note 10 – Assets and liabilities from securities lending and borrowing, repurchase and reverse repurchase agreements". Prior year numbers have been corrected to reflect a disclosure reclassification of these trading assets in the amount of CHF 25.6 billion.

In "Note 6 – Personnel expenses", the disclosure of variable compensation expenses for 2018 has been changed to include deferred variable compensation expenses. For the purpose of comparison, variable compensation expenses disclosed for 2017 has been corrected by CHF 291 million.

In "Note 7 – General and administrative expenses", occupancy expenses for 2018 included an amount of CHF 23 million related to prior periods reflecting a change in accounting for lease expenses.

3 Risk management, derivatives and hedging activities

Risk management

Prudent risk taking in line with the strategic priorities of the Bank parent company and its consolidated subsidiaries (the Bank) is fundamental to its business. The primary objectives of risk management are to protect the Bank's financial strength and reputation, while ensuring that capital is well deployed to support business growth and activities. The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of the Bank's business planning process with strong senior management and Board of Directors (Board) involvement.

On February 26, 2019, an organizational change relating to the compliance functions was announced, effective immediately. The regulatory affairs function was separated from the compliance organization and integrated into the office of the CEO with the Global Head of Regulatory Affairs now reporting directly to the CEO. The remaining functions within the compliance organization are managed by the Chief Compliance Officer (CCO), and

that office continues to be represented on the Group's Executive Board.

Risk governance

The Bank's risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role with 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 Bank. Its primary responsibility is to ensure compliance with relevant legal and regulatory requirements and maintain effective internal controls.

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

Risk management of the Bank is aligned to the overall risk management governance of the Group. All members of the Board and the Executive Board of the Bank are also members of the Board and the Executive Board of the Group. The Bank's 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 Group Chief Compliance and Regulatory Affairs Officer (CCRO), or the CCO since the organizational change on February 26, 2019, and the board of directors of significant subsidiaries, in accordance with their respective responsibilities and levels of authority.

Board of Directors

The Board is responsible for the Bank's strategic direction, supervision and control, and for defining the Bank's overall tolerance for risk. For this purpose, the Board approves the risk management framework and sets overall risk appetite in consultation with its Risk Committee.

The **Risk Committee** is responsible for assisting the Board in fulfilling its oversight responsibilities by periodically reviewing the Bank's risk management function, its resources and key risks.

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.

In 2018, the Board decided to establish the **Conduct and Financial Crime Control Committee**, which became effective in 2019. The Conduct and Financial Crime Control Committee assists the Board in fulfilling its oversight duties with respect to the Bank's exposure to financial crime risk. It is tasked with monitoring and assessing the effectiveness of financial crime compliance programs and initiatives.

Executive Board

The Executive Board is responsible for developing and implementing the Bank's strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and establishes Bank-wide risk policies. The Group CRO and CCRO, or the CCO since the organizational change on February 26, 2019, are members of the Executive Board and represent the risk management and compliance functions, respectively, reporting to the Group Chief Executive Officer (CEO) and, at least annually, to the Board.

Executive Board committees

The Capital Allocation & Risk Management Committee (CARMC) is responsible for overseeing and directing the Bank's risk profile, recommending risk limits at the Bank level to the Risk Committee and the Board, establishing and allocating risk appetite among the various businesses, reviewing new significant business strategies or changes in business strategies including business migrations, making risk-related decisions on escalations, and for applying measures, methodologies and tools to monitor and manage the risk portfolio. CARMC 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, provides governance and oversight over all material business migrations and ensures that legal entity strategic initiatives are within the Group's risk appetite and appropriately supported and controlled. The market & credit risks cycle defines and implements risk management strategies for the Bank businesses, sets and approves risk appetite within Board-approved limits and other appropriate measures to monitor and manage the risk profile of the Bank and allocates liquidity resources and sets liquidity risk limits. The internal control system 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.

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. Further, VARMC is responsible for monitoring and assessing valuation risks, reviewing inventory valuation conclusions and directing the resolution of significant inventory valuation issues.

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 the Bank's internal models used for calculating regulatory capital.

The Reputational Risk & Sustainability Committee (RRSC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures adherence to the Bank's reputational and sustainability policies and oversees their implementation.

Risk appetite framework

The Bank maintains a comprehensive Bank-wide risk appetite framework, which is governed by a global policy and provides a robust foundation for risk appetite setting and management across the Bank. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to the Bank's financial and capital plans. The framework also encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain the Bank's overall risk profile.

The Bank risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk constraints are calibrated and the risk profile is managed. The framework is guided by the following strategic risk objectives:
- maintaining Bank-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 and compliance risk within the Bank's enterprise risk and control framework (ERCF) to ensure sustainable performance;
- minimizing reputational risk; and
- managing and mitigating conduct risk.

Bank-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 the Bank's strategic risk objectives, financial resources and business plans are aligned. The capital plans are also analyzed using the Bank's 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 Chief Financial Officer (CFO), the Risk Appetite Review Committee (a sub-committee of CARMC), CARMC and, subsequently, by the Board.

The risk appetite statement is the formal plan, approved by the Board, for Bank-wide risk appetite. Key divisional allocations are cascaded from the Bank 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 Bank.

A core aspect of the Bank's risk appetite framework is a sound system of integrated risk constraints to maintain the Bank's risk profile within its overall risk appetite. The Bank's risk appetite framework utilizes a suite of different types of risk constraints to reflect the aggregate risk appetite of the Bank and to further cascade risk appetite across its organization, including among business divisions and legal entities. The risk constraints restrict the Bank's maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

Risk coverage and management

The Bank uses a wide range of risk management practices to address the variety of risks that arise from its business activities. Policies, processes, standards, risk assessment and measurement methodologies, risk appetite constraints, and risk monitoring and reporting are key components of its risk management practices. The Bank's risk management practices complement each other in the Bank's analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of its exposures. The Bank regularly reviews and updates its risk management practices to ensure consistency with its business activities and relevance to its business and financial strategies. The Bank's key risk types, their definitions and key risk evaluation methods are summarized in the table "Key risk types overview".

It is important to both evaluate each risk type separately and assess the risk types' combined impact on the Bank, which helps ensure that the Bank's overall risk profile remains within the Bank-wide risk appetite.

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

Economic risk capital

Economic risk capital is used as a consistent and comprehensive tool for capital management, limit monitoring and performance management. Economic risk capital is the core Bank-wide risk management tool for measuring and reporting the combined impact from quantifiable risks such as market, credit, operational, pension and expense risks, each of which has an impact on the Bank's capital position.

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

With effect from January 1, 2018, the Bank implemented a revised economic risk capital framework. The Bank redeveloped the position risk methodology by introducing new and enhancing previously used credit and market risk models. The redesigned credit risk model is based on a multi-factor Monte-Carlo-simulation, compared to the single-factor model used previously.

During 2018, the Bank further embedded the new economic risk capital framework into its risk appetite and risk management framework. The new framework should enable the Bank to better assess, monitor and manage capital adequacy and solvency risk in both "going concern" and "gone concern" scenarios.

Key risk types overview

<table>
<tr><th>Key risk types and definition</th><th>Key risk evaluation methods</th></tr>
<tr><td>Liquidity and funding risks: The risk that the Bank does not have the appropriate amount of funding and liquidity to meet its obligations.</td><td>Liquidity coverage ratio, net stable funding ratio, liquidity barometer, stress testing</td></tr>
<tr><td>Market risk: The risk of financial loss from adverse changes in market risk factors, including 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.</td><td>Value-at-risk, sensitivities, economic risk capital, stress testing</td></tr>
<tr><td>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.</td><td>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</td></tr>
<tr><td>Model risk: The risk of adverse consequences from decisions made based on model results that may be incorrect, misinterpreted or used inappropriately.</td><td>Risk and control self-assessments, independent model validation, aggregate model risk reports</td></tr>
<tr><td>Operational risk: The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.</td><td rowspan="5">▪ Enterprise risk and controls framework including risk and control assessments, compliance risk assessments, key risk and control indicators, internal and external incident data, scenario analysis, stress testing
▪ Group Code of Conduct and associated conduct and ethics standards
▪ Technology risk management program, business continuity testing
▪ Legal risk assessments</td></tr>
<tr><td>Compliance and regulatory risk: The risk from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on the Bank's franchise and clients it serves. It includes the risk that changes in laws, regulations, rules or market standards may limit the Bank's activities and have a negative effect on its business or its 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.</td></tr>
<tr><td>Conduct risk: The risk that improper behavior or judgment by the Bank's employees may result in a negative financial, non-financial or reputational impact to our clients, employees or the Bank or negatively impact the integrity of the financial markets.</td></tr>
<tr><td>Technology risk: The risk that technology-related failures, such as service outages or information security incidents, may disrupt business.</td></tr>
<tr><td>Legal risk: The risk of loss or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, changes in enforcement practices, the making of a legal challenge or claim against the Bank, the inability to enforce legal rights or the failure to take measures to protect rights.</td></tr>
<tr><td>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.</td><td rowspan="3">▪ A comprehensive assessment for these risk types may be performed either periodically and/or in response to particular events.
▪ The results of the analysis impacts management actions such as strategy adjustments, tactical measures, policy adjustments, event-driven crisis guidelines, staff training and individual performance measurement.
▪ The risk management actions may include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments</td></tr>
<tr><td>Fiduciary risk: The risk of financial loss arising when the Bank 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, counterparty and operational risk perspective.</td></tr>
<tr><td>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.</td></tr>
</table>

Stress testing
Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to the Bank's portfolio if, for example, historic or adverse forward-looking events were to occur.

Stress testing is a fundamental element of the Bank-wide risk appetite framework included in overall risk management to ensure that the Bank's 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 the Bank's internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Bank-wide and divisional stressed position loss limits to correspond to minimum post-stress capital ratios.

Liquidity and funding risks
The Bank's liquidity and funding profile reflects its strategy and risk appetite and is driven by business activity levels and the overall operating environment. The liquidity and funding strategy is approved by CARMC and overseen by the Board. The implementation and execution of the funding and liquidity strategy is managed within the Group's CFO division by Treasury and the global liquidity group. The global liquidity group was established in the second quarter of 2018 to centralize control of liability and collateral management with the aim of optimizing liquidity sourcing, funding costs and high quality liquid assets portfolio on behalf of Treasury. Treasury ensures adherence to the Bank's funding policy and the global liquidity group is focused on the efficient coordination of the short-term unsecured and secured funding desks. This approach enhances the Bank's ability to manage potential liquidity and funding risks and to promptly adjust its liquidity and funding levels to meet stress situations. The Bank's liquidity and funding profile is regularly reported to CARMC and the Board, who define the Bank's risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of its businesses.

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

The classification of assets and liabilities into trading book and banking book portfolios determines the approach for analyzing the Bank's 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 and liabilities for financial reporting purposes.

Market risks from the trading book relate to trading activities, primarily in the divisions Global Markets (which includes International Trading Solutions), Asia Pacific and the Strategic Resolution Unit.

Market risks from the banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. The Bank's 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.

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

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

The majority of non-trading foreign exchange risk is associated with the Bank's net investment in foreign branches, subsidiaries and affiliates denominated in currencies other than Swiss francs. This exposure is actively managed to hedge capital and leverage ratios and is governed within the Bank's risk appetite framework.

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

Credit risk arises from the execution of the Bank's business strategy in the divisions and reflects exposures directly held in the form of lending products (including loans and credit guarantees) or derivatives, shorter-term exposures such as underwriting commitments, and settlement risk related to the exchange of cash or securities outside of typical delivery versus payment structures.

The Bank uses a credit risk management framework which provides for the consistent evaluation, measurement, and management of credit risk across the Bank. Assessment of credit risk exposures for internal risk estimates and risk-weighted assets are calculated based on probability of default (PD), loss given default (LGD) and exposure at default (EAD) models approved by the Bank's main regulators. The credit risk framework incorporates the following core elements:

- counterparty and transaction assessments: application of internal credit ratings (PD), assignment of LGD and EAD values in relation to counterparties and transactions;
- credit limits: establishment of credit limits, subject to approval by delegated authority holders, to serve as primary risk controls on exposures and to prevent risk concentrations;
- risk mitigation: active management of risk mitigation provided in relation to credit exposures, including through the use of cash sales, participations, collateral or guarantees or hedging instruments; and
- credit monitoring, impairments and provisions: processes to support the ongoing monitoring and management of credit exposures, supporting the early identification of deterioration and any subsequent impact.

Counterparty and transaction assessments

The Bank evaluates and assesses counterparties and clients to whom it has credit exposures, primarily using internal rating models that have been approved by the Bank's main regulators. The Bank uses these models to determine internal credit ratings which are intended to reflect the PD of each counterparty. For a majority of counterparties and clients, internal ratings are based on internally developed statistical models which are backtested against internal experience, validated by a function independent of model development and approved by the Bank's main regulators for application in the regulatory capital calculation under the A-IRB approach of the Basel framework. Findings from backtesting serve as a key input for any future rating model developments.

Internal statistical rating models are based on a combination of quantitative factors (e.g., financial fundamentals and market data) and qualitative factors (e.g., credit history and economic trends).

For the remaining counterparties where statistical rating models are not used, internal credit ratings are assigned on the basis of a structured expert approach using a variety of inputs such as peer analyses, industry comparisons, external ratings and research as well as the judgment of expert credit officers.

In addition to counterparty ratings, credit risk management also assesses the risk profile of individual transactions and assigns transaction ratings which reflect specific contractual terms such as seniority, security and collateral.

Internal credit ratings may differ from external credit ratings, where available, and are subject to periodic review. Internal ratings are mapped to a PD band associated with each rating which is calibrated to historical default experience using internal data and external data sources.

The Bank uses 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.

Credit limits

Credit exposures are managed at the counterparty and ultimate parent level in accordance with credit limits which apply in relation to current and potential future exposures. Credit limits to counterparties and groups of connected companies are subject to formal approval under delegated authority within the divisions where the credit exposures are generated, and, where significant in terms of size or risk profile, are subject to further escalation to the Group chief credit officer or Group CRO.

In addition to counterparty and ultimate parent exposures, credit limits and tolerances are also applied at the portfolio level to monitor and manage risk concentrations such as to specific industries, countries or products. In addition, credit risk concentration is regularly supervised by credit and risk management committees.

Risk mitigation

The Bank actively manages its credit exposure by taking financial and non-financial collateral supported by enforceable legal documentation, as well as by utilizing credit hedging techniques. Financial collateral in the form of cash, marketable securities (e.g., equities, bonds or funds) and guarantees serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default. Financial collateral is subject to controls on eligibility and is supported by frequent market valuation depending on the asset class to ensure exposures remain adequately collateralized. Depending on the quality of the collateral, appropriate haircuts are applied for risk management purposes.

Non-financial collateral such as residential and commercial real estate, tangible assets (e.g., ships or aircraft), inventories and commodities are valued at the time of credit approval and periodically thereafter depending on the type of credit exposure and collateral coverage ratio.

In addition to collateral, the Bank also utilizes credit hedging in the form of protection provided by single-name and index credit default swaps as well as structured hedging and insurance products. Credit hedging is used to mitigate risks arising from the loan portfolio, loan underwriting exposures and counterparty credit risk. Hedging is intended to reduce the risk of loss from a specific counterparty default or broader downturn in markets that impact the

overall credit risk portfolio. Credit hedging contracts are typically bilateral or centrally cleared derivative transactions and are subject to collateralized trading arrangements. The Bank evaluates hedging risk mitigation to ensure that basis or tenor risk is appropriately identified and managed.

In addition to collateral and hedging strategies, the Bank also actively manages its loan portfolio and may sell or sub-participate positions in the loan portfolio as a further form of risk mitigation.

Credit monitoring, impairments and provisions

A rigorous credit quality monitoring 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.

In the event of a default, credit exposures are transferred to recovery management functions within credit risk management and are subject to formal reporting to the quarterly recovery review committee. Changes in the exposure profile and expectations for recovery form the basis to determine the allowance for credit losses which are discussed with the Group chief credit officer. Any decision to make full or partial write-offs require the approval of the Group chief credit officer.

The review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. The appropriateness of allowances for credit losses is regularly reviewed by the Bank's credit portfolio & provisions review committee.

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

An inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. The method for determining the inherent loss in the lending portfolios of Global Markets and Investment Banking & Capital Markets is based on a market-implied 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. Depending on the nature of the exposures, this method may also be applied for the lending portfolios in Swiss Universal Bank, International Wealth Management, Asia Pacific and the Strategic Resolution Unit. For all other exposures, inherent losses in the lending portfolios of these divisions are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. 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.

Model risk

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

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

Operational, compliance and regulatory risk

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

Compliance and regulatory risk is the risk from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on the Bank's franchise and clients it serves. It includes the risk that changes in laws, regulations, rules or market standards may limit the Bank's activities and have a negative effect on the Bank's business or its ability to implement

strategic initiatives, or can result in an increase in operating costs for the business or make its products and services more expensive for clients. Examples of sources of compliance risks include cross-border activities, the risk of money laundering, improper handling of confidential information, conflicts of interest, improper gifts and entertainment and failure in duties to clients.

To effectively manage operational and compliance risks, the Bank-wide ERCF was introduced in 2016 focusing on the early identification, recording, assessment, monitoring, prevention and mitigation of these risks, as well as timely and meaningful management reporting. Over the past three years, the Bank has further improved the integration of previously separate operational risk processes, providing a more coherent and systematic approach to managing all aspects of the operational risk landscape. Under the ERCF, the Bank integrated the operational risk framework and all of its components with the compliance risk components to further harmonize the Bank's approach to non-financial risk. The assessment processes for operational and compliance risks are closely coordinated, resulting in an enhanced risk and control self-assessment that covers both risk types in a more consistent manner. Also, standardized Bank-wide role descriptions define the responsibilities for identifying, assessing, reporting and managing risks across the organization. In 2018, continued progress was made in rolling out a systematic key control activities framework as part of the ERCF. This framework applies consistent standards and approaches to the identification, documentation and assessment of key controls across the Bank.

The ERCF provides a structured approach to managing operational and compliance risks. It seeks to apply consistent standards and techniques for evaluating risks across the Bank while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Bank-wide minimum standards.

The Bank has used an internal model to calculate the regulatory capital requirement for operational risk under the advanced measurement approach (AMA) since 2008. This model was replaced with an enhanced AMA internal model in 2014, which has been approved by FINMA. In 2018, the Bank updated the treatment of historic losses relating to divested businesses in the model, particularly those relating to its private banking business in the US. In addition, the Bank increased the coverage provided by its operational risk insurance policy.

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

Conduct risk

The Bank considers conduct risk to be the risk that improper behavior or judgment by the Bank's employees may result in a negative financial, non-financial or reputational impact to its clients, employees or the Bank or negatively impact the integrity of the financial markets. Conduct risk may arise from a wide variety of activities and types of behaviors. A Bank-wide definition of conduct risk supports the efforts of the Bank's employees to have a common understanding of and consistently manage, minimize and mitigate its conduct risk. Further, it promotes standards of responsible conduct and ethics in its employees. Managing conduct risk includes consideration of the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the Bank and at other firms in the financial services sector. Compliance oversees conduct risk for the Bank.

Technology risk

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

Technology risk is the risk that technology-related failures, such as service outages or information security incidents, may disrupt business. Technology risk is inherent not only in IT assets of the Bank, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. The Bank seeks to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. The Bank requires its critical IT systems to be identified, secure, resilient and available and support its ongoing operations, decision-making, communications and reporting. The Bank's systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of customers and regulatory and legal expectations.

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

Technology risks are managed through the Bank's technology risk management program, business continuity management plan and business contingency and resiliency plans and feature in the Bank's overall operational risk assessment. Technology risks are included as part of the Bank's overall enterprise risk and control assessment based upon a forward-looking approach focusing on the most significant risks in terms of potential impact and likelihood.

Legal risk

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

Reputational risk
Reputational risk is the risk that negative perception by the Bank's stakeholders, including clients, counterparties, employees, shareholders, regulators and the general public, may adversely impact client acquisition and damage the Bank's business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.

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

Reputational risk is included in the Bank's risk appetite framework to ensure that risk-taking is aligned with the approved risk appetite. The Bank highly values its reputation and is fully committed to protecting it through a prudent approach to risk-taking and a responsible approach to business. This is achieved through the use of dedicated processes, resources and policies focused on identifying, evaluating, managing and reporting potential reputational risks. This is also achieved by applying the highest standards of personal accountability and ethical conduct as set out in the Group's Code of Conduct and the Group's approach to conduct and ethics. Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The Group's global policy on reputational risk 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.

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 Bank's risk appetite framework as well as assessing the adequacy of the management of reputational risks.

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

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

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

Strategic plans are developed by each division annually and aggregated into a Bank plan, which is reviewed by the CRO, CFO and Chief Executive Officer (CEO) before presentation to the full Executive Board. Following approval by the Executive Board, the Bank plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates the Bank's performance against strategic objectives and sets the overall strategic direction for the Bank. From time to time, the Board and the Executive Board conduct more fundamental in-depth reviews of the Bank's strategy.
→ Refer to "Strategy" in I – Information on the company for further information.

Climate-related risks
In response to the recommendations from the FSB's Task Force on Climate-related Financial Disclosures (TCFD), the Bank has established a climate change program with the overall goal of addressing recommendations related to external disclosures of climate-linked risks and opportunities. The program team has worked to formalize climate-related governance and definitions in the Bank's key policies and to define the principles for climate risk strategy and management.

Use of derivative financial instruments and hedge accounting

Business policy for use of derivative financial instruments

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

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

Economic hedges

Economic hedges arise when the Bank parent company enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting. These economic hedges include the following types:
- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, core banking business assets and liabilities; as well as selected foreign participations against adverse movements in foreign exchange rates;
- credit derivatives to manage credit risk on certain loan portfolios; and
- futures to manage risk on equity positions including convertible bonds.

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

Hedge accounting

Hedge accounting for the Bank parent company is determined, recorded and disclosed in accordance with US GAAP as allowed under Swiss GAAP statutory accounting rules.

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

Fair value hedges

The Bank parent company designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, repurchase agreements and long-term debt instruments, the Bank parent company uses:
- cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
- foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

Cash flow hedges

The Bank parent company designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Bank parent company also uses cross-currency swaps to convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Bank parent company elects to be exposed. Further, the Bank parent company uses derivatives to hedge its cash flows associated with forecasted transactions.

Hedge effectiveness assessment

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

4 Net income from interest activities

Negative interest income and expense

in	2018	2017
CHF million		
Negative interest income debited to interest income	(279)	(258)
Negative interest expenses credited to interest expense	104	86

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

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

in	2018	2017
By risk of underlying instruments (CHF million)		
Interest rate instruments [1]	(1,614)	(24)
Equity instruments [1]	244	168
Foreign exchange	567	217
Precious metals	70	55
Commodities [2]	6	5
Credit instruments	(130)	(721)
Other instruments	(10)	101
Net income/(loss) from trading activities and fair value option	**(867)**	**(199)**
of which net income/(loss) from fair value option	7,406	(4,750)
of which net income/(loss) from liabilities valued under the fair value option	7,406	(4,750)

1 Includes trading income/(loss) from related fund investments.
2 Includes energy products.

Trading activities at the Bank parent company level are only monitored and managed for entity-specific capital adequacy purposes and are not measured along divisional or individual business lines. The trading activities of the divisions or individual businesses are only monitored and managed at the Group level based on US GAAP metrics.

6 Personnel expenses

in	2018	2017
CHF million		
Salaries	1,681	2,128
of which variable compensation expenses [1]	466	648
Social benefit expenses	297	321
of which pension and other post-retirement expenses	186	192
Other personnel expenses	86	99
Personnel expenses	**2,064**	**2,548**

1 Includes current and deferred variable compensation expenses. Prior period has been corrected.

7 General and administrative expenses

in	2018	2017
CHF million		
Occupancy expenses	104	109
Information and communication technology expenses	70	136
Furniture and equipment	10	21
Fees to external audit companies	30	31
of which fees for financial and regulatory audits [1]	28	29 [2]
of which fees for other services	2	2 [2]
Other operating expenses [3]	3,497	2,773
General and administrative expenses	**3,711**	**3,070**

1 Represents total fees for financial statement, regulatory and related audit services paid by legal entity Credit Suisse AG to external audit companies.
2 Prior period has been corrected.
3 Partially related to operating expenses charged by affiliated companies for services provided to the Bank parent company.

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

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

in	2018	2017
CHF million		
Increase/(release) of provisions	65 [1]	153 [2]
Other losses	4	3
Increase/(release) of provisions and other valuation adjustments, and losses	**69**	**156**

1 Primarily related to an increase in litigation provisions.
2 Primarily related to increases in off-balance sheet provisions and litigation provisions.

Extraordinary income and expenses

in	2018	2017
CHF million		
Gains realized from the disposal of participations	9	362 [1]
Gains realized from the disposal of tangible fixed assets [2]	29	2
Extraordinary income	**38**	**364**
Losses realized from the disposal of participations	0	(5) [3]
Extraordinary expenses	**0**	**(5)**

1 Primarily related to the merger of Credit Suisse (Channel Islands) Limited, the sale of Credit Suisse (Monaco) S.A.M. and the merger of another participation.
2 Includes realized gains from the sale of real estate (bank premises).
3 Primarily related to the liquidation of a participation.

9 Taxes

in	2018	2017
CHF million		
Current income tax (expense)/benefit	(196)	(324)
Non-income-based taxes (expense)/benefit [1]	(70)	(79)
Taxes	**(266)**	**(403)**

1 Includes capital taxes and other non-income based taxes such as UK bank levy expenses.

For the financial year ended December 31, 2018 and 2017, the average tax rate, defined as income tax expense divided by the sum of profit before income tax, was (43)% and 59%, respectively. Income tax expense for the financial year ended December 31, 2018 and 2017 reflected a benefit of CHF 256 million and CHF 249 million, respectively, from the utilization of tax losses carried forward. The calculation is based on statutory tax rates applied to the taxable profit against which tax loss carry forwards were utilized.

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

end of	2018	2017
CHF million		
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – gross	81,220	75,668
Impact from master netting agreements	(11,452)	(8,991)
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net	**69,768**	**66,677**
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	67,258	70,055
Impact from master netting agreements	(11,452)	(8,991)
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – net	**55,806**	**61,064**
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	24,732	29,488 [1]
of which transfers with the right to resell or repledge	3,160	667
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	237,257	188,142
of which repledged	182,019	139,572
of which resold	3,070	688

1 Prior period has been corrected.

11 Collateral and impaired loans

Collateralization of loans

end of	Mortgages	Other collateral	Secured [1] Total	Unsecured	Total
2018 (CHF million)					
Due from customers	73	83,034	83,107	94,929	178,036
Residential property	3,976	0	3,976	0	3,976
Offices and commercial property	1,058	0	1,058	0	1,058
Manufacturing and industrial property	134	0	134	0	134
Other	12	0	12	0	12
Mortgage loans	5,180	0	5,180	0	5,180
Gross loans	**5,253**	**83,034**	**88,287**	**94,929**	**183,216**
Allowance for loan losses	(18)	(79)	(97)	(853)	(950)
Net loans	**5,235**	**82,955**	**88,190**	**94,076**	**182,266**
of which due from customers	73	82,955	83,028	94,076	177,104
of which mortgage loans	5,162	0	5,162	0	5,162
2017 (CHF million)					
Due from customers	43	90,359	90,402	103,588	193,990
Residential property	3,867	0	3,867	0	3,867
Offices and commercial property	890	0	890	0	890
Manufacturing and industrial property	256	0	256	0	256
Other	63	0	63	0	63
Mortgage loans	5,076	0	5,076	0	5,076
Gross loans	**5,119**	**90,359**	**95,478**	**103,588**	**199,066**
Allowance for loan losses	(25)	(351)	(376)	(533)	(909)
Net loans	**5,094**	**90,008**	**95,102**	**103,055**	**198,157**
of which due from customers	43	90,008	90,051	103,055	193,106
of which mortgage loans	5,051	0	5,051	0	5,051

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

Collateralization of off-balance sheet transactions

end of	Mortgages	Other collateral	Secured [1] Total	Unsecured	Total
2018 (CHF million)					
Contingent liabilities	0	6,393	6,393	26,048 [2]	32,441
Irrevocable commitments	293	48,202	48,495	50,254	98,749
Obligations for calls on shares and additional payments	0	0	0	97	97
Off-balance sheet transactions	**293**	**54,595**	**54,888**	**76,399**	**131,287**
2017 (CHF million)					
Contingent liabilities	1	8,273	8,274	66,603 [2]	74,877
Irrevocable commitments	439	33,698	34,137	51,402	85,539
Obligations for calls on shares and additional payments	0	0	0	57	57
Off-balance sheet transactions	**440**	**41,971**	**42,411**	**118,062**	**160,473**

1 Includes the market value of collateral up to the notional amount of the related off-balance sheet transaction. For mortgage-backed off-balance sheet exposures, the market value of collateral is determined at the time of granting the credit facility and thereafter regularly reviewed according to the Bank parent company's risk management policies and directives, with maximum review periods determined by property type, market liquidity and market transparency. For impaired exposures, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.
2 A majority of contingent liabilities are related to guarantees issued in favor of Group companies.

Impaired loans

end of	Gross amount outstanding	Estimated realizable collateral value [1]	Net amount outstanding	Specific allowance
2018 (CHF million)				
Impaired loans	1,984	873	1,111	731
2017 (CHF million)				
Impaired loans	2,112	1,096	1,016	732

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

Changes in impaired loans

			2018			2017
	Due from customers	Mortgage loans	**Total**	Due from customers	Mortgage loans	**Total**
CHF million						
Balance at beginning of period	**1,976**	**136**	**2,112**	**3,087**	**71**	**3,158**
Change in organization	–	–	–	–	7	7
New impaired loan balances	824	58	882	1,536	110	1,646
Increase of existing impaired loan balances	60	2	62	88	13	101
Reclassifications to performing loans	(45)	(14)	(59)	(182)	(24)	(206)
Repayments	(325)	(20)	(345)	(1,235) [1]	(27)	(1,262)
Liquidation of collateral, insurance and guarantee payments	(122)	(62)	(184)	(186)	(11)	(197)
Write-offs	(228)	(6)	(234)	(846)	0	(846)
Sales	(264)	0	(264)	(177)	(3)	(180)
Foreign exchange translation impact	14	0	14	(109)	0	(109)
Balance at end of period	**1,890**	**94**	**1,984**	**1,976**	**136**	**2,112**

Changes in impaired loan classification during the year are reflected on a gross basis.
1 Includes CHF 115 million relating to the conversion of a loan into derivative financial instruments.

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

Trading assets and other financial instruments held at fair value

end of	**2018**	2017
CHF million		
Debt securities, money market instruments and money market transactions	36,711	41,826
of which exchange-traded	2,363	2,256
Equity securities	5,529	5,403
Precious metals and commodities	541	1,400
Trading assets	**42,781**	**48,629**
Debt securities	0	105
Other	0	217
Other financial instruments held at fair value	**0**	**322**
Total trading assets and other financial instruments held at fair value	**42,781**	**48,951**
of which carrying value determined based on a valuation model	26,673	36,731
of which securities eligible for repurchase transactions in accordance with liquidity regulations	149	1,105

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

end of	**2018**	2017
CHF million		
Debt securities, money market instruments and money market transactions	3,511	3,418
of which exchange-traded	531	260
Equity securities	2,438	2,948
Trading liabilities	**5,949**	**6,366**
Structured products	54,645	60,945
Liabilities from other financial instruments held at fair value	**54,645**	**60,945**
Trading liabilities and liabilities from other financial instruments held at fair value	**60,594**	**67,311**
of which carrying value determined based on a valuation model	55,033	64,157

13 Derivative financial instruments

end of 2018	Trading			Hedging [1]		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
CHF million						
Forwards and forward rate agreements	518,397	2,081	2,246	0	0	0
Swaps	3,883,432	11,164	12,330	18,710	121	0
Options bought and sold (OTC)	495,660	2,562	2,315	0	0	0
Futures	30,069	0	0	0	0	0
Options bought and sold (exchange-traded)	2,876	0	0	0	0	0
Interest rate products	**4,930,434**	**15,807**	**16,891**	**18,710**	**121**	**0**
Forwards and forward rate agreements	1,110,675	8,921	9,501	0	0	0
Swaps [2]	134,067	2,084	2,243	0	0	0
Options bought and sold (OTC)	300,461	2,892	2,778	0	0	0
Futures	71	0	0	0	0	0
Foreign exchange products	**1,545,274**	**13,897**	**14,522**	**0**	**0**	**0**
Forwards and forward rate agreements	9,232	150	111	0	0	0
Options bought and sold (OTC)	8,448	110	93	0	0	0
Precious metal products	**17,680**	**260**	**204**	**0**	**0**	**0**
Forwards and forward rate agreements	153	6	1	0	0	0
Swaps	84,558	1,556	3,903	0	0	0
Options bought and sold (OTC)	108,042	3,380	3,078	0	0	0
Futures	2,241	0	0	0	0	0
Options bought and sold (exchange-traded)	24,344	963	1,196	0	0	0
Equity/index-related products	**219,338**	**5,905**	**8,178**	**0**	**0**	**0**
Credit default swaps	21,636	282	661	0	0	0
Total return swaps	8,661	252	628	0	0	0
Other credit derivatives	7,907	131	44	0	0	0
Credit derivatives	**38,204**	**665**	**1,333**	**0**	**0**	**0**
Swaps	9,663	1,405	372	0	0	0
Options bought and sold (OTC)	2,367	66	55	0	0	0
Other derivative products	**12,030**	**1,471**	**427**	**0**	**0**	**0**
Derivative financial instruments [3]	**6,762,960**	**38,005**	**41,555**	**18,710**	**121**	**0**
of which replacement value determined based on a valuation model	–	34,024	37,376	–	121	0

1 Relates to derivative financial instruments that qualify for hedge accounting.
2 Including combined interest rate and foreign exchange swaps.
3 Before impact of master netting agreements.

Derivative financial instruments (continued)

end of 2017	Trading			Hedging [1]		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
CHF million						
Forwards and forward rate agreements	398,951	324	298	0	0	0
Swaps	4,345,760	7,474	8,334	25,481	271	0
Options bought and sold (OTC)	189,387	725	848	0	0	0
Futures	64,875	0	0	0	0	0
Options bought and sold (exchange-traded)	38,640	0	0	0	0	0
Interest rate products	**5,037,613**	**8,523**	**9,480**	**25,481**	**271**	**0**
Forwards and forward rate agreements	1,314,397	9,440	10,394	0	0	0
Swaps [2]	86,161	1,414	1,366	319	223	0
Options bought and sold (OTC)	369,530	2,799	2,639	0	0	0
Futures	179	0	0	0	0	0
Foreign exchange products	**1,770,267**	**13,653**	**14,399**	**319**	**223**	**0**
Forwards and forward rate agreements	7,459	47	62	0	0	0
Options bought and sold (OTC)	10,858	146	78	0	0	0
Precious metal products	**18,317**	**193**	**140**	**0**	**0**	**0**
Forwards and forward rate agreements	3	0	0	0	0	0
Swaps	66,915	2,091	1,398	0	0	0
Options bought and sold (OTC)	104,895	4,724	4,442	0	0	0
Futures	1,488	0	0	0	0	0
Options bought and sold (exchange-traded)	6,821	41	417	0	0	0
Equity/index-related products	**180,122**	**6,856**	**6,257**	**0**	**0**	**0**
Credit default swaps	19,054	233	656	0	0	0
Total return swaps	5,717	219	68	0	0	0
Other credit derivatives	14,418	62	18	0	0	0
Credit derivatives	**39,189**	**514**	**742**	**0**	**0**	**0**
Swaps	12,603	1,437	371	0	0	0
Options bought and sold (OTC)	97	11	4	0	0	0
Options bought and sold (exchange-traded)	3	0	0	0	0	0
Other derivative products	**12,703**	**1,448**	**375**	**0**	**0**	**0**
Derivative financial instruments [3]	**7,058,211**	**31,187**	**31,393**	**25,800**	**494**	**0**
of which replacement value determined based on a valuation model	–	30,774	30,962	–	494	0

1 Relates to derivative financial instruments that qualify for hedge accounting.
2 Including combined interest rate and foreign exchange swaps.
3 Before impact of master netting agreements.

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

end of	2018	2017
Before consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging	38,126	31,681
Negative replacement values – trading and hedging	41,555	31,393
After consideration of master netting agreements		
Positive replacement values – trading and hedging [1]	8,023	9,046
Negative replacement values – trading and hedging [1]	7,215	8,373

1 Netting includes counterparty exposure and cash collateral netting.

Positive replacement values by counterparty type

end of	2018	2017
CHF million		
Central clearing counterparties	1,126	736
Banks and securities dealers	4,401	6,093
Other counterparties [1]	2,496	2,217
Positive replacement values	**8,023**	**9,046**

1 Primarily related to bilateral OTC derivative contracts with clients.

Fair value hedges

in	2018	2017
Gains/(losses) on derivative financial instruments recognized in income (CHF million)		
Interest rate products	(348)	(327)
Gains/(losses) on derivative financial instruments recognized in income	**(348)**	**(327)**
Gains/(losses) on hedged items recognized in income		
Interest rate products	348	328
Gains/(losses) on hedged items recognized in income	**348**	**328**
Details of fair value hedges		
Net gains/(losses) on the ineffective portion	0	1

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

Cash flow hedges

in	2018	2017
Deferred unrealized gains/(losses) on derivative financial instruments related to cash flow hedges (CHF million) [1]		
Balance at beginning of period	**(61)**	**(25)**
Interest rate products	(67)	(50)
Gains/(losses) on derivative financial instruments deferred during reporting period	**(67)**	**(50)**
Interest rate products [2]	(79)	(14)
Deferred gains/(losses) on derivative financial instruments reclassified into income	**(79)**	**(14)**
Balance at end of period	**(49)**	**(61)**
Details of cash flow hedges		
Net gains/(losses) on the ineffective portion [2]	0	(2)

1 Included in the compensation account within other assets or other liabilities.
2 Included in net income/(loss) from trading activities and fair value option.

As of December 31, 2018, the net loss associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statement of income within the next 12 months was CHF 24 million.

As of December 31, 2018, the maximum length of time over which the Bank parent company hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

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

14 Financial investments

end of	2018 Carrying value	2018 Fair value	2017 Carrying value	2017 Fair value
CHF million				
Debt securities	30,058	29,949	17,498	17,515
of which held-to-maturity	25,130	25,021	13,505	13,522
of which available-for-sale	4,928	4,928	3,993	3,993
Equity securities	651	659	1,026	1,048
of which qualified participations [1]	365	372	821	841
Real estate [2]	5	5	38	38
Other [3]	59	59	29	29
Financial investments	**30,773**	**30,672**	**18,591**	**18,630**
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	–	6	–

1 Includes participations held in financial investments with at least 10% in capital or voting rights.
2 Real estate acquired from the lending business (repossessed assets) and classified as held-for-sale is carried at lower of cost and liquidation value.
3 Includes other non-financial assets acquired from the lending business (repossessed assets) such as commodities, vehicles and other goods.

Debt securities by counterparty rating

end of	2018	2017
CHF million		
AAA to AA–	4,409	3,993
BBB+ to BBB–	55	0
BB+ to B–	0	55
No rating [1]	25,594	13,450
Debt securities	**30,058**	**17,498**

Ratings are based on external data from Standard & Poor's.
1 Mainly related to funding in the form of bail-in capital and other capital instruments issued to subsidiaries.

15 Other assets and other liabilities

end of	2018	2017
CHF million		
Compensation account [1]	1,309	1,831
Indirect taxes and duties	256	136
Other [2]	256	407
Other assets	**1,821**	**2,374**
Indirect taxes and duties	28	24
Other [3]	290	540
Other liabilities	**318**	**564**

1 Includes changes in the book value of assets and liabilities that are not recognized in the statement of income, such as hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity.
2 Includes receiveables from settlement accounts, security deposits and guarantee funds, coupons, internal clearing accounts and other miscellaneous assets.
3 Includes payables from settlement accounts, accounts payable for goods and services purchased, internal clearing accounts and other miscellaneous liabilities.

16 Assets pledged

end of	2018 Carrying value	2018 Actual liabilities	2017 Carrying value	2017 Actual liabilities
CHF million [1]				
Due from banks	9	9	0	0
Due from customers	19	19	94	94
Trading assets	911	348	1,378 [2]	764 [2]
Assets pledged	**939**	**376**	**1,472**	**858**

1 Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse-repurchase agreements.
2 Prior period has been corrected.

17 Pension plans

As of December 31, 2018 and 2017, the Bank parent company's did not have any liabilities due to own pension plans.

→ Refer to "Note 29 – Pension and other post-retirement benefits" in VIII – Consolidated financial statements – Credit Suisse (Bank) for further information.

Swiss pension plan

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

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

International pension plans

The Bank parent company's international employees are covered by mandatory and supplementary pension plans in various locations. These are defined benefit and defined contribution plans, which cover benefits such as disability, old age and death, termination and sickness.

Employer contribution reserves

	Employer contribution reserves – notional		Amount subject to waiver		Employer contribution reserves – net [1]		Increase/(Release) of employer contribution reserves included in personnel expenses	
end of / in	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
CHF million								
Swiss pension plan	15 [2]	20	0	0	15 [2]	20	0	0
Total	**15**	**20**	**0**	**0**	**15**	**20**	**0**	**0**

1 In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the Bank parent company's statutory balance sheet.
2 Reflects the transfer of employer contribution reserves from the Bank parent company to Credit Suisse Services AG and Credit Suisse Asset Management (Schweiz) AG as of January 1, 2018.

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

	Over/(Under) -funding		Economic benefit/ (obligation) recorded by Bank parent company [2]			Pension contributions		Pension expenses included in personnel expenses	
end of / in	**2018**	2017	**2018**	2017	Change	**2018**	2017	**2018**	2017
CHF million									
Swiss pension plan – status overfunded	677 [1]	887 [1]	–	–	–	166	182	168	182
International pension plans – underfunded	(15)	(20)	(15)	(20)	5	1	0	(2)	(11)
International pension plans – without over-/underfunding	0	0	0	0	0	20	21	20	21
Total	**662**	**867**	**(15)**	**(20)**	**5**	**187**	**203**	**186**	**192**

1 Represents the Bank parent company's share of 39% in the total over/(under)funding of the Swiss pension plan of CHF 1,735 million and CHF 2,275 million as of December 31, 2018 and 2017, respectively.
2 In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.

18 Issued structured products

end of	2018 Not bifurcated [1] Liabilities from other financial instruments held at fair value [2]	2018 Bifurcated Value of underlying instrument	2018 Bifurcated Value of derivative [1]	2018 Total	2017 Not bifurcated [1] Liabilities from other financial instruments held at fair value [2]	2017 Bifurcated Value of underlying instrument	2017 Bifurcated Value of derivative [1]	2017 Total
Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)								
Interest rates								
Structured products with own debt	13,087	0	0	13,087	14,414	0	0	14,414
Structured products without own debt	716	0	0	716	773	0	0	773
Equity								
Structured products with own debt	34,601	0	0	34,601	37,694	0	0	37,694
Foreign exchange								
Structured products with own debt	1,083	0	0	1,083	644	0	0	644
Structured products without own debt	0	695	(3)	692	0	528	(2)	526
Commodities / precious metals								
Structured products with own debt	1,483	0	0	1,483	2,226	0	0	2,226
Structured products without own debt	0	66	(1)	65	0	56	0	56
Credit								
Structured products with own debt	3,596	143	(1)	3,738	5,082	0	0	5,082
Other [3]								
Structured products with own debt	79	0	0	79	112	0	0	112
Total	**54,645**	**904**	**(5)**	**55,544**	**60,945**	**584**	**(2)**	**61,527**

1 Carried at fair value.
2 Reflects balance sheet classification.
3 Includes structured products where the underlying risk relates to hedge funds or other products with multiple underlying risks.

19 Unsecured senior debt and structured notes

end of	2018 Original maturity up to 1 year	2018 Original maturity greater than 1 year	2018 Total	2017 Original maturity up to 1 year	2017 Original maturity greater than 1 year	2017 Total
CHF million						
Unsecured senior debt [1, 2]	8,183	74,228 [3]	**82,411**	7,662	81,107 [3]	**88,769**
of which recorded in bonds and mortgage-backed bonds			82,411			88,769
Unsecured structured notes [4]	6,905	47,338	**54,243**	10,116	50,171	**60,287**
of which recorded in liabilities from other financial instruments held at fair value			53,929			60,172
of which recorded in bonds and mortgage-backed bonds			314			115

1 Includes guaranteed debt and payables related to fully funded swaps.
2 Excludes senior unsecured debt included in due to banks and customer deposits as well as certificates of deposits and bankers acceptances.
3 Includes bail-in instruments of CHF 14,788 million and CHF 9,572 million as of December 31, 2018 and 2017, respectively, with Credit Suisse Group AG. Prior period has been corrected.
4 For structured notes that include a put option, maturity is determined based on the first date at which a noteholder can request repayment. Structured notes with market triggering features are always reflected in accordance with original maturity.

20 Provisions and valuation adjustments

2018	Balance at beginning of period	Change in orga-nization	Utilized for purpose	Reclassifi-cations	Foreign exchange translation differences	Recoveries, interest past due	New charges to income statement	Releases to income statement	**Balance at end of period**
CHF million									
Provisions for pension benefit obligations	20	0	0	0	(1)	0	1	(5)	15 [1]
Provisions for off-balance sheet default risks	153	0	(12)	0	2	0	239	(224)	158 [2, 3]
Provisions for other business risks	30	(1)	(16)	4	0	0	2	(1)	18 [2]
Restructuring provisions	14	0	(60)	0	0	0	56	(1)	9 [4]
Other provisions	331	(6)	(83)	2	(5)	0	68	(48)	259 [5]
Provisions	**548**	**(7)**	**(171)**	**6**	**(4)**	**0**	**366**	**(279)**	**459**
Valuation adjustments for default and country risks [6]	**909**	**0**	**(239)**	**0**	**4**	**25**	**640**	**(388)**	**951**
of which valuation adjustments for default risks from impaired receivables	732	0	(239)	0	3	24	306	(96)	730
of which valuation adjustments for inherent risks	177	0	0	0	1	1	334	(292)	221

1 Discounted at rates between 1.50% and 8.20%.
2 Provisions are not discounted due to their short-term nature.
3 Provisions are mainly related to irrevocable loan commitments and guarantees.
4 Partially discounted at rates between 0.06% and 1.35%.
5 Includes provisions in respect of litigation claims of CHF 240 million and CHF 275 million as of December 31, 2018 and 2017, respectively; partially discounted at rates between 2.32% and 6.00%.
6 Changes in impaired loan classification during the year and related movements in valuation adjustments are reflected on a gross basis.

21 Composition of share capital, conversion and reserve capital

		2018		2017
end of	Quantity	Total nominal value (CHF million)	Quantity	Total nominal value (CHF million)
Share capital				
Registered shares (at CHF 1 par value per share)	4,399,680,200	4,400 [1]	4,399,680,200	4,400 [1]
Total share capital		**4,400**		**4,400**
Conversion and reserve capital [2]				
Unlimited conversion capital (at CHF 1 par value per share) [3]	unlimited	unlimited	unlimited	unlimited
Reserve capital (at CHF 1 par value per share) [4]	4,399,665,200	4,400	4,399,665,200	4,400
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

1 The dividend eligible capital equals the total nominal value. As of December 31, 2018 and 2017, the total nominal value of registered shares was CHF 4,399,680,200 and fully paid.
2 Represents authorized capital.
3 For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of the Bank parent company.
4 For information on principal characteristics of reserve capital, refer to Article 4e in the Articles of Association of the Bank parent company.

Non-distributable reserves

As of December 31, 2018 and 2017, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the Bank parent company's articles of association was CHF 2,200 million. Not reflected in this amount are reserves which the Bank parent company is required to retain in order to meet the regulatory capital requirements as a going concern.

Transactions with shareholders

In 2018, there were no non-cash transactions or transactions not carried out on an arm's length basis with shareholders in their capacity as shareholder.

22 Significant shareholders and groups of shareholders

end of	Number of shares (million)	Total nominal value (CHF million)	2018 Share-holding (%)	Number of shares (million)	Total nominal value (CHF million)	2017 Share-holding (%)
Direct shareholders						
Credit Suisse Group AG	4,400 [1]	4,400	100.00	4,400 [1]	4,400	100.00
Indirect shareholders through Credit Suisse Group AG [2]						
Chase Nominees Ltd. [3]	668	668	15.19	567	567	12.88
Nortrust Nominees Ltd. [3]	257	257	5.84	242	242	5.49

1 All shares with voting rights.

2 Pro-forma numbers calculated based on the percentage interest held in Group shares as per the share register of the Group on December 31 of the reporting period. Includes shareholders registered as nominees.

3 Nominee holdings exceeding 2% are registered with a right to vote only if the nominee confirms that no individual shareholder holds more than 0.5% of the outstanding share capital or if the nominee discloses the identity of any beneficial owner holding more than 0.5% of the outstanding capital.

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

In addition to the shareholdings registered in the share register of the Group, the Group has obtained and reported to the SIX Swiss Exchange (SIX) information from its shareholders in accordance with the notification requirements of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading. These shareholders may hold their shareholdings in Group shares through a nominee. The following shareholder notifications relate to registered voting rights exceeding 5% of all voting rights, which are subject to disclosure in the notes to the financial statements in accordance with Swiss GAAP statutory.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17% of the voting rights, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification has been received from Harris Associates L.P. relating to holdings of registered Group shares since 2013. This position includes the reportable position of Harris Associates Investment Trust (4.97% of the voting rights), as published by the SIX on August 1, 2018.

In a disclosure notification that the Group published on September 6, 2018, the Group was notified that as of August 24, 2018, Qatar Holding LLC held 133.2 million shares, or 5.21% of the voting rights, of the registered Group shares issued as of the date of the notified transaction.

In 2018, the Group received disclosure notifications from Norges Bank that their holdings of registered Group shares and voting rights had fallen below the 5% threshold. The Olayan Group and BlackRock, Inc.'s holdings of registered Group shares and voting rights remained below the 5% threshold both as of December 31, 2018 and as of December 31, 2017.

Shareholders with a qualified participation

As of December 31, 2018, Credit Suisse Group AG as direct shareholder of Credit Suisse AG is the only shareholder with a qualified participation in accordance with Bank Law.

→ Refer to "Note 24 – Amounts receivable from and amounts payable to related parties" for further information on shareholders with a qualified participation.

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

→ Refer to "V – Compensation" for a comprehensive disclosure of compensation to the Board of Directors and the Executive Board of Credit Suisse Group AG.

→ Refer to "Note 22 – Shareholdings of the Board of Directors, Executive Board and employees" in VII – Parent company financial statements – Credit Suisse Group for information on shareholdings of the Board of Directors and the Executive Board of the Bank parent company.

Share-based awards outstanding

	2018		2017	
end of	Number of share-based awards outstanding in million	Fair value in CHF million	Number of share-based awards outstanding in million	Fair value in CHF million
Share-based awards [1]				
Employees	22.4	242	21.7	377
Share-based awards outstanding	**22.4**	**242**	**21.7**	**377**

1 All share-based compensation plans of the Bank parent company are plans based on virtual shares and either settled in shares of the Group or in cash on the basis of the fair value of the Group shares.

All members of the Board of Directors and the Executive Board of the Bank parent company are also members of the Board of Directors and the Executive Board of the Group parent company. Compensation to members of the Executive Board is determined by the Group parent company on the basis of their overall function and responsibilities in the Group and paid by different legal entities of the Group depending on work location, local contracts, laws and regulations. A presentation of deferred share-based compensation awards to members of the Executive Board recorded by the Bank parent company would not appropriately reflect the Executive Board of the Bank parent company, as it would only consider those members for whom compensation is administrated by the Bank parent company.

As of December 31, 2018 and 2017, the Bank parent company did not have any option plans with outstanding options.

Compensation plans

For 2017, the Bank parent company granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation in February 2018.

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

In 2018 and 2017, the Bank parent company's total expenses related to deferred compensation plans were CHF 107 million and CHF 249 million, respectively.

For 2018 and 2017, all share-based compensation plans of the Bank parent company were either settled in shares of the Group parent company (Group shares) or in cash on the basis of the fair value of the Group shares.

Share awards

Share awards granted in February 2018 are similar to those granted in February 2017. Each share award granted entitles the holder of the award to receive one Group share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code or similar regulations in other jurisdictions. 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. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the Group share price at the time of delivery.

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

On February 15, 2018, the Bank parent company granted 6.5 million share awards with a total value of CHF 114 million. The number of share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a Group share over the ten consecutive trading days ended February 28, 2018. The fair value of each share award was CHF 17.22, the Group share price on the grant date. The majority of share awards granted include the right to receive dividend equivalents on vested shares.

Performance share awards

Managing directors and all material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Group's risk profile) received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance

share awards, including those awarded in prior years, are subject to performance-based malus provisions.

Performance share awards granted from 2016 and onward 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, 2018, or a negative ROE of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative return on equity (ROE) of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

On February 15, 2018, the Bank parent company granted 4.6 million performance share awards with a total value of CHF 80 million. The number of performance share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the ten consecutive trading days ended February 28, 2018. The fair value of each performance share award was CHF 17.22, the Group share price on the grant date. The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

There was no negative adjustment applied to performance share awards granted in 2018 or in previous years.

Contingent Capital Awards

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

- CCA granted in 2018 and 2017 that are denominated in US dollars and vest three years from the date of grant receive interest equivalents at a rate of 3.05% and 4.27%, respectively, per annum over the six-month US dollar London Interbank Offered Rate (LIBOR);
- CCA granted in 2018 and 2017 that are denominated in Swiss francs and vest three years from the date of grant receive interest equivalents at a rate of 2.24% and 3.17%, respectively, per annum over the six-month Swiss franc LIBOR;
- CCA granted in 2017 that are denominated in US dollars and vest five or seven years from the date of grant receive interest equivalents at a rate of 4.27% per annum over the six-month US dollar LIBOR; and
- CCA granted in 2017 that are denominated in Swiss francs and vest five or seven years from the date of grant receive interest equivalents at a rate of 3.03% and 2.93%, respectively, per annum over the six-month Swiss franc LIBOR.

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that the Group has issued. For CCA granted in February 2018, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

As 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. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award will be converted into 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 forfeited if any of the following trigger events were to occur:

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

On February 15, 2018, the Bank parent company awarded CHF 25 million and USD 23 million of CCA that are expensed over the vesting period from the grant date.

Contingent Capital share awards

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

Other cash awards

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

24 Amounts receivable from and amounts payable to related parties

	2018		2017	
end of	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
CHF million				
Shareholders with a qualified participation	4,100	25,039	3,514	22,790
Group companies	180,310	115,453	210,033	141,812
Affiliated companies	1,288	410	688	561
Members of governing bodies [1]	42	78	37	103

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

Significant off-balance sheet transactions

As part of the normal course of business, the Bank parent company issues guarantees, loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by the Bank parent company. As of December 31, 2018 and 2017, the Bank parent company had contingent liabilities of CHF 27,572 million and CHF 70,015 million, respectively, and irrevocable loan commitments of CHF 7,581 million and CHF 3,395 million, respectively, of which substantially all were related to transactions with group companies.

As shareholder of Credit Suisse International, an unlimited company incorporated in England and Wales, the Bank parent company has joint and several unlimited obligations to meet any insufficiency in the assets in the event of liquidation.

Additional information on related party transactions

Transactions (such as securities transactions, payment transfer services, borrowings and compensation for deposits) with related parties are carried out on an arm's length basis.

→ Refer to "Off-balance sheet transactions", "Statement of changes in equity" and "Note 1 – Business activities, developments and subsequent events" for further information on related party transactions.

Sales and Trading Services

On November 20, 2016, with retrospective effect between the parties as of August 1, 2016, the Bank parent company entered into a contractual relationship with Credit Suisse (Schweiz) AG. The purpose of this contractual relationship was to collaboratively operate the Swiss portion of the former STS business. With effect from September 30, 2018, this contractual relationship has been discontinued by both parties.

25 Total assets by country rating

end of	2018 CHF million [2]	2018 %	2017 CHF million [2]	2017 %
Internal country rating [1]				
AAA	42,099	7.9%	165,966	28.8%
AA	334,577	62.8%	253,537	44.0%
A	35,970	6.8%	34,106	5.9%
BBB	19,513	3.7%	13,190	2.3%
BB	7,621	1.4%	9,103	1.6%
B	8,480	1.6%	5,227	0.9%
CCC	6,789	1.3%	6,943	1.2%
C	56	0.0%	41	0.0%
D	193	0.0%	156	0.0%
Foreign assets	455,298	85.5%	488,269	84.7%
Domestic assets	77,518	14.5%	87,949	15.3%
Total assets	**532,816**	**100.0%**	**576,218**	**100.0%**

1 Internal ratings are calibrated to the long-term issuer credit ratings of Standard & Poor's for the respective sovereigns. Internal country ratings may differ from Standard & Poor's respective country ratings.
2 Net balance sheet exposure by country rating of risk domicile.

26 Fiduciary transactions

end of	2018	2017
CHF million		
Fiduciary placements with third-party institutions	3,040	2,729
Fiduciary transactions	**3,040**	**2,729**

27 Assets under management

Assets under management

Assets under management include assets for which the Bank parent company provides investment advisory or discretionary asset management services, investment fund assets and assets invested in other investment-fund-like pooled investment vehicles managed by the Bank parent company. The classification of assets under management is conditional upon the nature of the services provided by the Bank parent company and the clients' intentions. Assets are individually assessed on the basis of each client's intentions and objectives and the nature of the banking services provided to that client. In order to be classified as assets under management, the Bank parent company must currently or in the foreseeable future expect to provide a service where the involvement of the Bank parent company's banking or investment expertise (e.g., as asset manager or investment advisor) is not purely executional or custodial in nature.

Assets under custody are client assets held mainly for execution-related or safekeeping/custody purposes only and therefore are not considered assets under management since the Bank parent company does not generally provide asset allocation or financial advice.

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

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

The initial classification of the assets may not be permanent as the nature of the client relationship is reassessed on an on-going basis. If changes in client intent or activity warrant reclassification between client asset categories, the required reclassification adjustments are made immediately when the change in intent or activity occurs. Reclassifications between assets under management and assets held for transaction-related or custodial purposes result in corresponding net asset inflows or outflows.

The Group reviews relevant policies regarding client assets on a regular basis. Following such reviews in 2018, with effect from January 1, 2019, the Group updated its assets under management policy primarily to introduce more specific criteria to evaluate whether client assets qualify as assets under management. The introduction of this updated policy for the Bank parent company is expected to result in a reclassification of approximately CHF 19 billion of assets under management to assets under custody which will be reflected as a structural effect in 2019.

A portion of the Bank parent company's assets under management results from double counting. Double counting arises when assets under management are subject to more than one level of asset management services. Each separate advisory or discretionary service provides additional benefits to the client and represents additional income for the Bank parent company. Specifically, double counting primarily results from the investment of assets under management in collective investment instruments managed by the Bank parent company. The extent of double counting is disclosed in the following table.

Assets under management

end of	**2018**	2017
CHF billion		
Assets in collective investment instruments managed by Credit Suisse AG	0.1	0.2
Assets with discretionary mandates	84.9	88.5
Other assets under management	381.6	391.3
Assets under management (including double counting)	**466.6**	**480.0**
of which double counting	–	–

Changes in assets under management

	2018	2017
CHF billion		
Balance at beginning of period [1]	**480.0**	**581.1**
Net new assets/(Net asset outflows)	23.8	28.0
Market movements, interest, dividends and foreign exchange	(26.0)	31.3
of which market movements, interest and dividends [2]	(21.9)	33.2
of which foreign exchange	(4.1)	(1.9)
Other effects	(11.2) [3]	(160.4) [4]
Balance at end of period [1]	**466.6**	**480.0**

1 Including double counting.
2 Net of commissions and other expenses and net of interest expenses charged.
3 Includes structural effect outflows of CHF 5.2 billion related to the impact of US sanctions involving Russia and CHF 4.6 billion related to transfers to subsidiaries.
4 Includes a reduction in assets under management of CHF 167.6 billion related to the transfer of the Swiss-related asset management business from the Bank parent company to Credit Suisse Asset Management (Schweiz) AG.

Net new assets

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

Proposed appropriation of reserves and retained earnings

Proposed appropriation of voluntary income reserves

	2018
Voluntary income reserves (CHF million)	
Balance at end of year	**610**
Transfer to retained earnings	(610)
Balance after transfer	**0**

Proposed appropriation of retained earnings

	2018
Retained earnings (CHF million)	
Retained earnings carried forward	215
Net profit/(loss)	(647)
Transfer from voluntary income reserves	610
Retained earnings available for appropriation	**178**
Dividend	(10)
Retained earnings to be carried forward	**168**

Proposed appropriation of capital contribution reserves

	2018
Capital contribution reserves (CHF million)	
Balance at end of year	**37,913**
Appropriation [1]	(2)
Balance after appropriation	**37,911**

1 Related to a planned transfer of certain employees and the related assets and liabilities to Credit Suisse Services AG.