CREDIT SUISSE GROUP AG
Form 20-F
March 22, 2019

As filed with the Securities and Exchange Commission on March 22, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-15244

Credit Suisse Group AG
(Exact name of Registrant as specified in its charter)

Canton of Zurich, Switzerland
(Jurisdiction of incorporation or organization)

Paradeplatz 8, CH 8001 Zurich, Switzerland
(Address of principal executive offices)

David R. Mathers
Chief Financial Officer
Paradeplatz 8, CH 8001 Zurich, Switzerland
david.mathers@credit-suisse.com
Telephone: +41 44 333 1111 (Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Commission file number: 001-33434

Credit Suisse AG
(Exact name of Registrant as specified in its charter)

Canton of Zurich, Switzerland
(Jurisdiction of incorporation or organization)

Paradeplatz 8, CH 8001 Zurich, Switzerland
(Address of principal executive offices)

David R. Mathers
Chief Financial Officer
Paradeplatz 8, CH 8001 Zurich, Switzerland
david.mathers@credit-suisse.com
Telephone: +41 44 333 1111 (Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class of securities	Name of each exchange on which registered
Credit Suisse Group AG	
American Depositary Shares each representing one Share	New York Stock Exchange
Shares par value CHF 0.04 *	New York Stock Exchange *
Credit Suisse AG	
Credit Suisse FI Large Cap Growth Enhanced ETNs due June 13, 2019 Linked to the Russell 1000® Growth Index Total Return	NYSE Arca
VelocityShares™ VIX Short Term ETNs Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily 2x VIX Short Term ETNs Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily Inverse VIX Medium Term ETNs Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ 3x Long Gold ETNs Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Silver ETNs Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Gold ETNs Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Silver ETNs Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Natural Gas ETNs Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
VelocityShares™ 3x Inverse Natural Gas ETNs Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
Credit Suisse X-Links® Gold Shares Covered Call ETNs due February 2, 2033	The Nasdaq Stock Market
Credit Suisse X-Links® Silver Shares Covered Call ETNs due April 21, 2033	The Nasdaq Stock Market
Credit Suisse S&P MLP Index ETNs due December 4, 2034 Linked to the S&P MLP Index	NYSE Arca
Credit Suisse X-Links® Multi-Asset High Income ETNs due September 28, 2035	NYSE Arca
Credit Suisse X-Links® Monthly Pay 2xLeveraged Alerian MLP Index ETNs due May 16, 2036	NYSE Arca
Credit Suisse X-Links® Monthly Pay 2xLeveraged Mortgage REIT ETNs due July 11, 2036	NYSE Arca
Credit Suisse X-Links® Crude Oil Shares Covered Call ETNs due April 24, 2037	The Nasdaq Stock Market
Credit Suisse FI Enhanced Europe 50 Exchange Traded Notes (ETNs) due May 11, 2028 Linked to the STOXX® Europe 50 USD (Gross Return) Index	NYSE Arca

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2018: 2,550,584,029 shares of Credit Suisse Group AG
Indicate by check mark if the Registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.
Yes No
If this report is an annual or transition report, indicate by check mark if the Registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes No
Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.
Yes No
Indicate by check mark whether Registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes No
Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, non-accelerated filers, or emerging growth companies. See definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filers Accelerated filers
Non-accelerated filers Emerging growth companies
If emerging growth companies that prepare their financial statements in accordance with U.S. GAAP, indicate by check mark if the Registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Indicate by check mark which basis of accounting the Registrants have used to prepare the financial statements included in this filing:
U.S. GAAP International Other
Financial Reporting Standards
as issued by the
International Accounting Standards Board
If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 Item 18
If this is an annual report, indicate by check mark whether the Registrants are shell companies
(as defined in Rule 12b-2 of the Exchange Act)
Yes No

Definitions

For the purposes of this Form 20-F and the attached Annual Report 2018, unless the context otherwise requires, the terms “Credit Suisse Group,” “Credit Suisse,” the “Group,” “we,” “us” and “our” mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the direct bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term the “Bank” when we are referring only to Credit Suisse AG and its consolidated subsidiaries.

Abbreviations and selected terms are explained in the List of abbreviations and the Glossary in the back of the Annual Report 2018.

Sources

Throughout this Form 20-F and the attached Annual Report 2018, we describe the position and ranking of our various businesses in certain industry and geographic markets. The sources for such descriptions come from a variety of conventional publications generally accepted as relevant business indicators by members of the financial services industry. These sources include: Standard & Poor’s, Dealogic, Institutional Investor, Lipper, Moody’s Investors Service and Fitch Ratings.

Cautionary statement regarding forward-looking information

For Credit Suisse and the Bank, please see Cautionary statement regarding forward-looking information on the inside page of the back cover of the attached Annual Report 2018.

Explanatory note

For the avoidance of doubt, the information appearing on pages 4 to 12, 232 to 236 and A-4 to A-12 of the attached Annual Report 2018 is not included in Credit Suisse’s and the Bank’s Form 20-F for the fiscal year ended December 31, 2018.

Part I

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

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

Item 2. Offer statistics and expected timetable.

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

Item 3. Key information.

A – Selected financial data.

For Credit Suisse and the Bank, please see Appendix – Selected five-year information – Group on page A-2 and – Bank on page A-3 of the attached Annual Report 2018.

B – Capitalization and indebtedness.

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

C – Reasons for the offer and use of proceeds.

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

D – Risk factors.

For Credit Suisse and the Bank, please see I – Information on the company – Risk factors on pages 46 to 56 of the attached Annual Report 2018.

Item 4. Information on the company.

A – History and development of the company.

For Credit Suisse and the Bank, please see I – Information on the company – Credit Suisse at a glance on pages 14 to 15 and – Strategy on pages 16 to 21 and IV – Corporate Governance – Overview – Corporate governance framework – Company details on page 190 of the attached Annual Report 2018. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events and Note 4 – Segment information in VI – Consolidated financial statements – Credit Suisse Group on pages 288 to 290 of the attached Annual Report 2018 and, for the Bank, please see Note 3 – Business developments, significant shareholders and subsequent events and Note 4 – Segment information in VIII – Consolidated financial statements – Credit Suisse (Bank) on pages 444 to 445 of the attached Annual Report 2018. For additional information on Credit Suisse and the Bank, please see Item 10.H of this Form 20-F regarding documents on display.

B – Business overview.

For Credit Suisse and the Bank, please see I – Information on the company – Divisions on pages 22 to 30 of the attached Annual Report 2018. In addition, for Credit Suisse, please see Note 4 – Segment information in VI – Consolidated financial statements – Credit Suisse Group on pages 289 to 290 of the attached Annual Report 2018 and, for the Bank, please see Note 4 – Segment information in VIII – Consolidated financial statements – Credit Suisse (Bank) on page 445 of the attached Annual Report 2018.

C – Organizational structure.

For Credit Suisse and the Bank, please see I – Information on the company – Credit Suisse at a glance on pages 14 to 15, – Strategy on pages 16 to 21 and II – Operating and financial review – Credit Suisse – Group and Bank differences on page 71 of the attached Annual Report 2018. For a list of Credit Suisse's significant subsidiaries, please see Note 40 – Significant subsidiaries and equity method investments in VI – Consolidated financial statements – Credit Suisse Group on pages 400 to 402 of the attached Annual Report 2018 and, for a list of the Bank's significant subsidiaries, please see Note 39 – Significant subsidiaries and equity method investments in VIII – Consolidated financial statements – Credit Suisse (Bank) on pages 511 to 513 of the attached Annual Report 2018.

D – Property, plant and equipment.

For Credit Suisse and the Bank, please see X – Additional information – Other information – Property and equipment on page 576 of the attached Annual Report 2018.

Information Required by Industry Guide 3.

For Credit Suisse and the Bank, please see X – Additional information – Statistical information on pages 560 to 571 of the attached Annual Report 2018. In addition, for both Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results – Credit risk review – Loans and irrevocable loan commitments on page 174 of the attached Annual Report 2018. For Credit Suisse, please see Appendix – Selected five-year information – Group on page A-2 of the attached Annual Report 2018.

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

During 2018, Credit Suisse AG processed a small number of de minimis payments related to the operation of Iranian diplomatic missions in Switzerland and related to fees for ministerial government functions such as issuing passports and visas. Processing these payments is permitted under Swiss law and is performed with the consent of Swiss authorities, and Credit Suisse AG intends to continue processing such payments. Revenues and profits from these activities are not calculated but would be negligible.

Credit Suisse AG also continued to hold funds from two wire transfers to non-Iranian customers which were blocked pursuant to Swiss sanctions laws because Iranian government-owned entities had initiated the transfers. Such funds, in a total amount of EUR 4,460, were maintained in blocked accounts opened in accordance with Swiss sanctions laws and, in September 2018, released to the non-Iranian customers after Switzerland had lifted its sanctions against the relevant Iranian government-owned entities. Credit Suisse AG derived no revenues or profits from maintenance of these previously blocked accounts or the release of the funds.

Item 4A. Unresolved staff comments.

None.

Item 5. Operating and financial review and prospects.

A – Operating results.

For Credit Suisse and the Bank, please see II – Operating and financial review on pages 57 to 112 of the attached Annual Report 2018. In addition, for both Credit Suisse and the Bank, please see I – Information on the company – Regulation and supervision on pages 31 to 45 of the attached Annual Report 2018, III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management – Funding management – Interest rate management on page 120 and – Capital management – Shareholders' equity – Foreign exchange exposure on page 139 of the attached Annual Report 2018.

B – Liquidity and capital resources.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management and – Capital management on pages 114 to 141 of the attached Annual Report 2018. In addition, for Credit Suisse, please see Note 25 – Long-term debt in VI – Consolidated financial statements – Credit Suisse Group on pages 310 to 311 and Note 37 – Capital adequacy in VI – Consolidated financial statements – Credit Suisse Group on pages 387 to 388 of the attached Annual Report 2018 and, for the Bank, please see Note 24 – Long-term debt in VIII – Consolidated financial statements – Credit Suisse (Bank) on page 459 and Note 36 – Capital adequacy in VIII – Consolidated financial statements – Credit Suisse (Bank) on page 509 of the attached Annual Report 2018.

C – Research and development, patents and licenses, etc.

Not applicable.

D – Trend information.

For Credit Suisse and the Bank, please see Item 5.A of this Form 20-F. In addition, for Credit Suisse and the Bank, please see I – Information on the company – Divisions on pages 22 to 30 of the attached Annual Report 2018.

E – Off-balance sheet arrangements.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet and off-balance sheet on pages 183 to 186 of the attached Annual Report 2018. In addition, for Credit Suisse, please see Note 32 – Derivatives and hedging activities, Note 33 – Guarantees and commitments and Note 34 – Transfers of financial assets and variable interest entities in VI – Consolidated financial statements – Credit Suisse Group on pages 339 to 358 of the attached Annual Report 2018 and, for the Bank, please see Note 31 – Derivatives and hedging activities, Note 32 – Guarantees and commitments, Note 33 – Transfers of financial assets and variable interest entities in VIII – Consolidated financial statements – Credit Suisse (Bank) on pages 478 to 489, and Note 13 – Derivative financial instruments in IX – Parent company financial statements – Credit Suisse (Bank) on pages 544 to 546 of the attached Annual Report 2018.

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F – Tabular disclosure of contractual obligations.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet and off-balance sheet – Contractual obligations and other commercial commitments on page 185 of the attached Annual Report 2018.

Item 6. Directors, senior management and employees.

A – Directors and senior management.

For Credit Suisse and the Bank, please see IV – Corporate Governance – Board of Directors, – Board Committees, – Biographies of the Board members, – Executive Board and – Biographies of the Executive Board members on pages 197 to 226 of the attached Annual Report 2018.

B – Compensation.

For Credit Suisse and the Bank, please see V – Compensation on pages 237 to 264 of the attached Annual Report 2018. In addition, for Credit Suisse, please see Note 10 – Compensation and benefits in VI – Consolidated financial statements – Credit Suisse Group on page 292, Note 29 – Employee deferred compensation in VI – Consolidated financial statements – Credit Suisse Group on pages 322 to 326, Note 31 – Pension and other post-retirement benefits in VI – Consolidated financial statements – Credit Suisse Group on pages 329 to 338, Note 6 – Personnel expenses in VII – Parent company financial statements – Credit Suisse Group on page 424 and Note 22 – Shareholdings in VII – Parent company financial statements – Credit Suisse Group on pages 430 to 431 of the attached Annual Report 2018. For the Bank, please see Note 10 – Compensation and benefits in VIII – Consolidated financial statements – Credit Suisse (Bank) on page 446, Note 28 – Employee deferred compensation in VIII – Consolidated financial statements – Credit Suisse (Bank) on pages 467 to 469, Note 30 – Pension and other post-retirement benefits in VIII – Consolidated financial statements – Credit Suisse (Bank) on pages 471 to 477, Note 6 – Personnel expenses in IX – Parent company financial statements – Credit Suisse (Bank) on page 540, Note 17 – Pension plans in IX – Parent company financial statements – Credit Suisse (Bank) on page 548 and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans in IX – Parent company financial statements – Credit Suisse (Bank) on pages 552 to 553 of the attached Annual Report 2018.

C – Board practices.

For Credit Suisse and the Bank, please see IV – Corporate Governance on pages 187 to 230 of the attached Annual Report 2018.

D – Employees.

For Credit Suisse and the Bank, please see IV – Corporate Governance – Overview – Corporate Governance framework – Employee relations on page 191 of the attached Annual Report 2018. In addition, for both Credit Suisse and the Bank, please see II – Operating and financial review – Credit Suisse – Employees and other headcount on page 68 of the attached Annual Report 2018.

E – Share ownership.

For Credit Suisse and the Bank, please see V – Compensation on pages 237 to 264 of the attached Annual Report 2018. In addition, for Credit Suisse, please see Note 29 – Employee deferred compensation in VI – Consolidated financial statements – Credit Suisse Group on pages 322 to 326, and Note 22 – Shareholdings in VII – Parent company financial statements – Credit Suisse Group on pages 430 to 431 of the attached Annual Report 2018. For the Bank, please see Note 28 – Employee deferred compensation in VIII – Consolidated financial statements – Credit Suisse (Bank) on pages 467 to 469, and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans in IX – Parent company financial statements – Credit Suisse (Bank) on pages 552 to 553 of the attached Annual Report 2018.

Item 7. Major shareholders and related party transactions.

A – Major shareholders.

For Credit Suisse, please see IV – Corporate Governance – Shareholders on pages 192 to 196 of the attached Annual Report 2018. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events in VI – Consolidated financial statements – Credit Suisse Group on page 288, Note 16 – Credit Suisse Group shares held by subsidiaries in VII – Parent company financial statements – Credit Suisse Group on page 427, Note 17 – Purchases and sales of treasury shares in VII – Parent company financial statements – Credit Suisse Group on page 428 and Note 18 – Significant shareholders in VII – Parent company financial statements – Credit Suisse Group on page 428 of the attached Annual Report 2018. Credit Suisse's major shareholders do not have different voting rights.

The Bank has 4,399,680,200 shares outstanding and is a wholly owned subsidiary of Credit Suisse. See Note 22 – Significant shareholders and groups of shareholders in IX – Parent company financial statements – Credit Suisse (Bank) on page 551 of the attached Annual Report 2018.

B – Related party transactions.

For Credit Suisse and the Bank, please see V – Compensation on pages 237 to 264 and IV – Corporate Governance – Additional information – Banking relationships with Board and Executive Board members and related party transactions on page 227 of the attached Annual Report 2018. In addition, for Credit Suisse, please see Note 30 – Related parties in VI – Consolidated financial statements – Credit Suisse Group on pages 327 to 328 and Note 20 – Assets and liabilities with related parties in VII – Parent company financial statements – Credit Suisse Group on page 429 of the attached Annual Report 2018. For the Bank, please see Note 29 – Related parties in VIII – Consolidated financial statements – Credit Suisse (Bank) on page 470 and Note 24 – Amounts receivable from and amounts payable to related parties in IX – Parent company financial statements – Credit Suisse (Bank) on page 554 of the attached Annual Report 2018.

C – Interests of experts and counsel.

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

Item 8. Financial information.

A – Consolidated statements and other financial information.

Please see Item 18 of this Form 20-F.

For a description of Credit Suisse's legal and arbitration proceedings, please see Note 39 – Litigation in VI – Consolidated financial statements – Credit Suisse Group on pages 389 to 399 of the attached Annual Report 2018. For a description of the Bank's legal and arbitration proceedings, please see Note 38 – Litigation in VIII – Consolidated financial statements – Credit Suisse (Bank) on page 510 of the attached Annual Report 2018.

For a description of Credit Suisse's policy on dividend distributions, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Dividends and dividend policy on pages 140 to 141 of the attached Annual Report 2018.

B – Significant changes.

None.

Item 9. The offer and listing.

A – Offer and listing details, C – Markets.

For information regarding the price history of Credit Suisse Group shares and the stock exchanges and other regulated markets on which they are listed or traded, please see X – Additional information – Other information – Listing details on page 576 of the attached Annual Report 2018. Shares of the Bank are not listed.

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

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

Item 10. Additional information.

A – Share capital.

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

B – Memorandum and Articles of Association.

For Credit Suisse, please see IV – Corporate Governance – Overview – Corporate Governance framework, – Shareholders and – Board of Directors on pages 192 to 203 of the attached Annual Report 2018. In addition, for Credit Suisse, please see X – Additional information – Other information – Exchange controls and – American Depositary Shares on page 572 of the attached Annual Report 2018. Shares of the Bank are not listed.

C – Material contracts.

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

D – Exchange controls.

For Credit Suisse and the Bank, please see X – Additional information – Other information – Exchange controls on page 572 of the attached Annual Report 2018.

E – Taxation.

For Credit Suisse, please see X – Additional information – Other information – Taxation on pages 572 to 575 of the attached Annual Report 2018. The Bank does not have any public shareholders.

F – Dividends and paying agents.

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

G – Statement by experts.

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

H – Documents on display.

Credit Suisse and the Bank file annual reports on Form 20-F and furnish or file quarterly and other reports on Form 6-K and other information with the SEC pursuant to the requirements of the Securities Exchange Act of 1934, as amended. These materials are available to the public over the Internet at the SEC's website at www.sec.gov, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Further, our reports on Form 20-F, Form 6-K and certain other materials are available on the Credit Suisse website at www.credit-suisse.com. Information contained on our website and apps is not incorporated by reference into this Form 20-F.

In addition, Credit Suisse's parent company financial statements, together with the notes thereto, are set forth on pages 417 to 432 of the attached Annual Report 2018 and incorporated by reference herein. The Bank's parent company financial statements, together with the notes thereto, are set forth on pages 517 to 558 of the attached Annual Report 2018 and incorporated by reference herein.

I – Subsidiary information.

Not applicable.

Item 11. Quantitative and qualitative disclosures about market risk.

For Credit Suisse and the Bank, please see I – Information on the company – Risk factors on pages 46 to 56 and III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management on pages 142 to 182 of the attached Annual Report 2018.

Item 12. Description of securities other than equity securities.

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

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

D – American Depositary Shares.

For Credit Suisse, please see IV – Corporate Governance – Additional information – Other information – Fees and charges for holders of ADS on page 229 of the attached Annual Report 2018. Shares of the Bank are not listed.

Part II

Item 13. Defaults, dividend arrearages and delinquencies.

None.

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

None.

Item 15. Controls and procedures.

For Credit Suisse's management report and the related report from the Group's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in VI – Consolidated financial statements – Credit Suisse Group on pages 414 to 416 of the attached Annual Report 2018. For the Bank's management report and the related report from the Bank's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in VIII – Consolidated financial statements – Credit Suisse (Bank) on pages 514 to 516 of the attached Annual Report 2018.

Item 16A. Audit committee financial expert.

For Credit Suisse and the Bank, please see IV – Corporate Governance – Board of Directors – Board committees – Audit Committee on page 205 of the attached Annual Report 2018.

Item 16B. Code of ethics.

For Credit Suisse and the Bank, please see IV – Corporate Governance – Overview – Corporate governance framework on pages 188 to 191 of the attached Annual Report 2018.

Item 16C. Principal accountant fees and services.

For Credit Suisse and the Bank, please see IV – Corporate Governance – Additional information – External audit on pages 227 to 228 of the attached Annual Report 2018.

Item 16D. Exemptions from the listing standards for audit committee.

None.

Item 16E. Purchases of equity securities by the issuer and affiliated purchasers.

For Credit Suisse, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Share repurchases on page 140 of the attached Annual Report 2018. The Bank does not have any class of equity securities registered pursuant to Section 12 of the Exchange Act.

Item 16F. Change in registrants' certifying accountant.

None.

Item 16G. Corporate governance.

For Credit Suisse, please see IV – Corporate Governance – Additional Information – Other information – Complying with rules and regulations on pages 228 to 229 of the attached Annual Report 2018. Shares of the Bank are not listed.

Item 16H. Mine Safety Disclosure.

None.

Part III

Item 17. Financial statements.

Not applicable.

Item 18. Financial statements.

Credit Suisse's consolidated financial statements, together with the notes thereto and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 265 to 416 of the attached Annual Report 2018 and incorporated by reference herein. The Bank's consolidated financial statements, together with the notes thereto (and any notes or portions thereof in the consolidated financial statements of Credit Suisse Group referred to therein) and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 433 to 516 of the attached Annual Report 2018 and incorporated by reference herein.

Item 19. Exhibits.
1.1 Articles of association (Statuten) of Credit Suisse Group AG as of June 6, 2017 (incorporated by reference to Exhibit 3.1 of Credit Suisse Group AG's registration statement on Form F-3 (No. 333-218604) filed on June 8, 2017). https://www.sec.gov/Archives/edgar/data/29646/000104746917003893/a2231913zex-3_1.htm
1.2 Articles of association (Statuten) of Credit Suisse AG as of September 4, 2014 (incorporated by reference to Exhibit 1.2 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2014 filed on March 20, 2015). https://www.sec.gov/Archives/edgar/data/1053092/000137036815000028/a140320ar-ex1_2.htm
1.3 Organizational Guidelines and Regulations of Credit Suisse Group AG and Credit Suisse AG as of February 7, 2019.
2.1 Pursuant to the requirement of this item, we agree to furnish to the SEC upon request a copy of any instrument defining the rights of holders of long-term debt of us or of our subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.
4.1 Agreement, dated February 13, 2011, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.1 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013). https://www.sec.gov/Archives/edgar/data/1053092/000110465913019700/a13-7039_1ex99d1.htm
4.2 Agreement, dated February 13, 2011, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.2 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013). https://www.sec.gov/Archives/edgar/data/1053092/000110465913019700/a13-7039_1ex99d2.htm
4.3 Amendment Agreement, dated July 18, 2012, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 99.3 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013). https://www.sec.gov/Archives/edgar/data/1053092/000110465913019700/a13-7039_1ex99d3.htm
4.4 Purchase and Underwriting Agreement, dated as of July 17, 2012, between Credit Suisse AG and Competrol Establishment (incorporated by reference to Exhibit 4.4 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013). https://www.sec.gov/Archives/edgar/data/1053092/000137036813000020/a130322ar-ex4_4.htm
4.5 Purchase and Underwriting Agreement, dated as of July 18, 2012, between Credit Suisse AG and Qatar Holding LLC (incorporated by reference to Exhibit 4.5 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013). https://www.sec.gov/Archives/edgar/data/1053092/000137036813000020/a130322ar-ex4_5.htm
4.6 Agreement, dated October 10, 2013, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 4.6 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2013 filed on April 3, 2014). https://www.sec.gov/Archives/edgar/data/1053092/000137036814000030/a140403ar-ex4_6.htm
8.1 Significant subsidiaries of Credit Suisse are set forth in Note 40 – Significant subsidiaries and equity method investments in VI – Consolidated financial statements – Credit Suisse Group on pages 400 to 402, and significant subsidiaries of the Bank are set forth in Note 39 – Significant subsidiaries and equity method investments in VIII – Consolidated financial statements – Credit Suisse (Bank) on pages 511 to 513 of the attached Annual Report 2018 and incorporated by reference herein.
9.1 Consent of KPMG AG, Zurich with respect to Credit Suisse Group AG consolidated financial statements.
9.2 Consent of KPMG AG, Zurich with respect to the Credit Suisse AG consolidated financial statements.
12.1 Rule 13a-14(a) certification of the Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2 Rule 13a-14(a) certification of the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1 Certifications pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Credit Suisse Group AG and Credit Suisse AG.

101.1 Interactive Data Files (XBRL-Related Documents).
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SIGNATURES

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

CREDIT SUISSE GROUP AG
(Registrant)
Date: March 22, 2019

/s/ Tidjane Thiam	/s/ David R. Mathers
Name: Tidjane Thiam	Name: David R. Mathers
Title: Chief Executive Officer	Title: Chief Financial Officer

CREDIT SUISSE AG
(Registrant)
Date: March 22, 2019

/s/ Tidjane Thiam	/s/ David R. Mathers
Name: Tidjane Thiam	Name: David R. Mathers
Title: Chief Executive Officer	Title: Chief Financial Officer

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Key metrics

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Credit Suisse (CHF million)					
Net income/(loss) attributable to shareholders	2,024	(983)	(2,710)	–	(64)
Basic earnings/(loss) per share (CHF)	0.79	(0.41)	(1.27)	–	(68)
Diluted earnings/(loss) per share (CHF)	0.77	(0.41)	(1.27)	–	(68)
Return on equity (%)	4.7	(2.3)	(6.1)	–	–
Return on tangible equity (%)	5.4	(2.6)	(6.9)	–	–
Effective tax rate (%)	40.4	152.9	(19.5)	–	–
Core Results (CHF million)					
Net revenues	21,628	21,786	21,594	(1)	1
Provision for credit losses	244	178	141	37	26
Total operating expenses	16,631	17,680	17,960	(6)	(2)
Income before taxes	4,753	3,928	3,493	21	12
Cost/income ratio (%)	76.9	81.2	83.2	–	–
Assets under management and net new assets (CHF billion)					
Assets under management	1,347.3	1,376.1	1,251.1	(2.1)	10.0
Net new assets	56.5	37.8	26.8	49.5	41.0
Balance sheet statistics (CHF million)					
Total assets	768,916	796,289	819,861	(3)	(3)
Net loans	287,581	279,149	275,976	3	1
Total shareholders' equity	43,922	41,902	41,897	5	0
Tangible shareholders' equity	38,937	36,937	36,771	5	0
Basel III regulatory capital and leverage statistics (%)					
CET1 ratio	12.6	13.5	13.5	–	–
Look-through CET1 ratio	12.6	12.8	11.5	–	–
Look-through CET1 leverage ratio	4.1	3.8	3.2	–	–
Look-through tier 1 leverage ratio	5.2	5.2	4.4	–	–
Share information					
Shares outstanding (million)	2,550.6	2,550.3	2,089.9	0	22
of which common shares issued	2,556.0	2,556.0	2,089.9	0	22
of which treasury shares	(5.4)	(5.7)	0.0	(5)	–
Book value per share (CHF)	17.22	16.43	20.05	5	(18)
Tangible book value per share (CHF)	15.27	14.48	17.59	5	(18)
Market capitalization (CHF million)	27,605	44,475	30,533	(38)	46
Dividend per share (CHF)	0.2625	0.25	0.70	–	–
Number of employees (full-time equivalents)					
Number of employees	45,680	46,840	47,170	(2)	(1)

See relevant tables for additional information on these metrics.

Annual Report 2018
Credit Suisse Group AG Credit Suisse AG

For the purposes of this report, unless the context otherwise requires, the terms “Credit Suisse Group”, “Credit Suisse”, the “Group”, “we”, “us” and “our” mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the direct bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term the “Bank” when we are referring only to Credit Suisse AG and its consolidated subsidiaries. Abbreviations and selected terms are explained in the List of abbreviations and the Glossary in the back of this report. Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report. The English language version of this report is the controlling version. In various tables, use of “–” indicates not meaningful or not applicable.

Message from the Chairman and the Chief Executive Officer

2018 was the year we successfully completed our restructuring and achieved our first annual post-tax profit since 2014, with CHF 2.02 billion of net income attributable to shareholders. We have delivered on the strategy we defined in 2015 of creating a leading wealth manager with strong investment banking capabilities.

Dear shareholders, clients and colleagues

When we launched our restructuring program three years ago, our objective was to become a leading, resilient wealth manager with strong investment banking capabilities. We are pleased to report that we have delivered on the goals we set ourselves in 2015.

Our restructuring was aimed at taking advantage of the growing global wealth by profitably growing our wealth management activities as well as making the Group more resilient by reducing risks, cutting costs and strengthening our capital base. We wanted to grow our Wealth Management-related revenues, and within that category, our recurring income streams. We wanted to establish a culture of generating profitable, sustainable, compliant growth. We also set out to right-size our Global Markets (GM) business. Last but not least, we wanted to deal resolutely with our key legacy issues. These objectives have broadly been achieved, and our performance in 2018, in a challenging market environment, with severe stresses particularly in the final quarter of the year, illustrates the progress we have made since 2015.

In our Wealth Management-related businesses, we intend to continue to follow a balanced approach between mature and emerging markets and focus on ultra-high net worth (UHNW), high net worth (HNW) and entrepreneur clients in our core markets. We will serve these clients' private wealth and business financial needs across our suite of products and services, working to deliver an integrated offering and delivering bespoke solutions in our efforts to help them grow and protect their wealth and business needs. Having both strong wealth management skills and strong investment banking capabilities is therefore crucial for us and key to the success of our strategy.

A strategy that delivers

During 2018, we continued to deliver on our objectives in spite of significant market volatility during the year. In the first half of 2018, markets were favorable, and we experienced strong client activity. In the second half of the year, we faced more challenging market conditions and a significant drop in client activity resulting from a combination of factors, including increasing trade tensions, concern about the potential impact of higher US interest rates and a rise in geopolitical uncertainty. Despite these challenges, we operated profitably in every quarter on both a reported and adjusted basis, including the fourth quarter, which saw quite extreme market conditions not seen in many years. We achieved the highest fourth quarter adjusted* income before taxes since 2013 in the fourth quarter of 2018, our ninth consecutive quarter of year-on-year growth. Income before taxes for 2018 was CHF 3.37 billion, up 88% year on year, and on an adjusted* basis, income before taxes rose 52% year on year to CHF 4.19 billion.

Our performance in 2018 is a testament to the actions we have taken during our restructuring to create a Group that should now be more resilient in the face of market turbulence. By dealing with legacy issues effectively, reallocating capital towards our more stable, capital-efficient and profitable Wealth Management-related and Investment Banking & Capital Markets (IBCM) businesses and right sizing our GM activities, we have built what we had set out to create: a leading wealth manager with strong investment banking capabilities.

We reported net income attributable to shareholders of CHF 2.02 billion for 2018. This was our first annual post-tax profit since 2014, despite a higher than expected effective tax rate of 40% for the year.

Driving profitable, compliant growth

We have made substantial progress in rebalancing the allocation of our capital towards our Wealth Management-related and Investment Banking & Capital Markets businesses. In 2015, we were faced with a more market-dependent business that delivered volatile revenues and had high fixed costs combined with high and rising capital needs. We have since transformed the business. We sought to gear the Group towards more recurring revenues from our Wealth Management-related businesses. We did this by allocating more capital to the Swiss Universal Bank (SUB), International Wealth Management (IWM) and Asia Pacific Wealth Management & Connected (APAC WM&C). We also focused on increasing collaboration across divisions; a prime example of which is our International Trading Solutions (ITS) business that brings together talent from across GM, IWM and SUB to deliver bespoke, institutional quality solutions to our UHNW and HNW clients. Since the start of this reshaping of our business, our Wealth Management-related adjusted* net revenues have grown at a 5% compound annual growth rate since 2015, an industry leading performance in a period marked by several successive, severe market dislocations, such as in the last quarter of 2015 and in the last quarter of 2018.

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

The outlook for continued growth in wealth management remains attractive. The global pool of wealth has nearly doubled over the last ten years and as it continues to grow, we are seeing positive momentum across our Wealth Management-related businesses, where thanks to our disciplined approach to growth, risk, capital and costs, we have been able to produce higher profits and higher returns on capital since 2015. In 2018, we reported strong Wealth Management net new assets of CHF 34.4 billion, the result of net inflows in every quarter. Importantly, approximately 75% of these net new assets came from UHNW clients compared to approximately 50% in 2015. Across the Group, we attracted total net new assets of CHF 56.5 billion, up 49% year on year. The Group has grown healthily throughout its restructuring: since 2015, we have attracted more than CHF 120 billion of net new assets. At the end of 2018, we reached a total of CHF 1.35 trillion in assets under management.

In our home market here in Switzerland, we made strong progress in SUB delivering an adjusted* income before taxes of CHF 2.2 billion, up 18% year on year. Both Private Clients and Corporate & Institutional Clients delivered improved adjusted* income before taxes in 2018, reflecting strong revenues and rigorous cost discipline. SUB's increased full-year profitability was the result of both an increase in adjusted* net revenues to CHF 5.5 billion, with increased recurring commissions and fees and net interest income, and cost reductions.

In IWM, we had a successful year with adjusted* income before taxes up 21% year on year, reaching our target of CHF 1.8 billion. This step change in profitability was achieved in a challenging environment. IWM achieved adjusted* net revenues of CHF 5.4 billion in 2018, growing 4% year on year. In Private Banking, adjusted* income before taxes was up 24% at CHF 1.4 billion, driven by 7% revenue growth, with higher revenues across all major categories, and in Asset Management, adjusted* income before taxes grew by 12% to CHF 427 million.

In APAC, we generated adjusted* income before taxes of CHF 804 million in 2018, slightly higher than the prior year. Our performance in the division reflects the resilience of our wealth management strategy and our leading business franchises within the region as 2018 was marked by significant market dislocation across Asia, reporting the worst fourth quarter for Asian equity markets since 2008. APAC WM&C's adjusted* income before taxes of CHF 797 million in 2018 was down 3%. APAC Markets reported an adjusted* income before taxes of CHF 7 million in 2018, an improvement from the adjusted* loss before taxes of CHF 28 million in 2017, despite market conditions.

In IBCM, we delivered 4% year on year growth with adjusted* income before taxes of CHF 429 million in 2018. This result was driven by a 2% increase in net revenues, resulting from strong performance in advisory, particularly M&A, which was partially offset by lower financing activity, in line with the Street[1]. Total global advisory and underwriting revenues for 2018 were USD 4.0 billion, down 2% year on year, but outperforming the Street[2] in a challenging market environment.

In GM, we demonstrated strict resource and risk discipline in a challenging operating environment characterized by high levels of volatility and widening credit spreads. GM was profitable in 2018 with an adjusted* income before taxes of CHF 406 million. We maintained a dynamic approach to capital management and decreased our leverage exposure by 13%. Additionally, our adjusted* total operating expenses decreased by 7% year on year to CHF 4.6 billion.

Delivering value to our shareholders post-restructuring

At our Investor Day in December 2018, we announced our intention to distribute at least 50% of net income to shareholders in 2019 and 2020.

We also announced that the Board of Directors approved a buyback of Group ordinary shares of up to CHF 1.5 billion for 2019 and that we anticipate to buy back at least CHF 1 billion of shares this year, subject to market and economic conditions. In addition, we said that we would expect a similar buyback program in 2020, subject to approval by the Board of Directors. We are pleased to inform you that we have effectively started our buyback program for 2019. As of March 7, 2019, we repurchased 21.3 million shares, worth CHF 261 million.

Finally, at the same 2018 Investor Day, we informed you, our shareholders, that we expect to generate a sustainable ordinary dividend and to increase it by at least 5% per annum. At the presentation of our full year and fourth quarter 2018 results in February 2019, we told the market that the Board of Directors will propose to shareholders at our Annual General Meeting on April 26, 2019 a distribution of CHF 0.2625 per share out of capital contribution reserves for the financial year 2018. The distribution will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The distribution will be payable in cash.

We are pleased that the Group is now on a strong footing and in a position to deliver tangible returns to our shareholders through the return of capital, following the completion of our restructuring and the continued execution of our successful strategy.

With a much reduced cost base, focusing now on productivity gains and investment

Thanks to our focus on costs and on our strategic approach to cost management, we were able to exceed our target for the reduction of our adjusted* operating cost base, which stood at CHF 16.5 billion in 2018, at the end our restructuring program, CHF 0.5 billion below our target of less than CHF 17 billion. Since the end of 2015 we have recorded cumulative net cost savings of CHF 4.6 billion, exceeding our target of a reduction of greater than CHF 4.2 billion. All these costs are measured at constant foreign exchange rates fixed at the end of 2015 to provide transparency and to allow our shareholders to monitor the effectiveness of our cost program during the Group's restructuring. A significant proportion of our sustainable cost savings was achieved through strategic decisions about our portfolio of businesses, a number of which were exited or reduced in scale. At the same time we have made substantial investments, focusing in particular on risk and compliance, within our corporate functions, as well as rebuilding our equities franchise with a number of senior hires. Talent management has remained an essential focus during the restructuring as a part of our efforts to ensure we have the right people in the right roles across our business.

As we said at our 2018 Investor Day, we have effectively transformed our cost base, and we are pleased with the gains we have made in returning the Group to efficiency.

We expect to continue operating efficiently in 2019 and beyond, as is standard practice for any business. We will continue to allocate capital to the divisions that we expect will deliver recurring revenues by seeking to invest in talent, subject to market and economic conditions, and further transforming our technology through digitalization, robotics and automation.

Stronger capital position with significantly lower risk

We substantially strengthened our capital position in 2018 as we exceeded our targets for common equity tier 1 (CET1) and leverage ratios. We delivered a CET1 ratio of 12.6% and a Tier 1 leverage ratio of 5.2%

These capital and leverage ratios are already above the levels prescribed by the Swiss requirements that enter into force in 2020. In addition, and most importantly, we have strengthened our business by significantly reducing the Group’s risk management value-at-risk since 2015.

Also, our US intermediate holding company completed its first public Comprehensive Capital Analysis and Review stress test in 2018, with the Board of Governors of the Federal Reserve System not objecting to the company’s 2018 capital plan.

Given the uncertain macro-economic environment over the last three years, these achievements underscore both the balance and resilience of our new operating model.

Completed the wind down of legacy assets

At the same time as growing our revenues and reducing costs, we have reduced the overall level of risk at Credit Suisse and dealt effectively with our key legacy issues.

The Strategic Resolution Unit (SRU), which we set up in 2015 to help us dispose of and de-risk our legacy positions, closed on schedule at the end of 2018. It recorded an adjusted* loss before taxes of CHF 1.2 billion for the year, down from CHF 2.9 billion in 2016. The residual portfolio has been transferred to the Asset Resolution Unit and will be separately disclosed within the Corporate Center as of January 1, 2019. The closure of the SRU was a key milestone in the completion of our restructuring program.

Embedding a culture of compliance

One of the key goals we set ourselves at the start of the restructuring program was to significantly upgrade our risk and compliance controls and improve our culture. Regulation has changed the face of banking over the last decade and we believe in these changes and embrace them fully. We have aligned ourselves, as an organization, to the rules and regulations across the jurisdictions in which we operate, making our operations more resilient and our business stronger. In September 2018, FINMA said it had identified deficiencies in Credit Suisse AG’s anti-money laundering due diligence obligations as well as shortcomings in our control mechanisms and risk management. We have continuously enhanced our compliance and control framework over the last three years – independent of this review. FINMA acknowledged the numerous proactive measures we have adopted since the end of 2015 to strengthen our compliance procedures. As a further measure, the Group took a decisive step in the fourth quarter of 2018 to enhance its compliance oversight at the Board level through the establishment of a new Board committee. The Conduct and Financial Crime Control Committee became effective in early 2019 and assumes responsibility for the supervision of the Group’s financial crime compliance programs and related conduct and ethics initiatives. We believe the set-up of this new Board committee, combined with the many improvements implemented and continuous efforts by management, firmly signals the Group’s commitment to rigorously address financial crime risk and ensure that the highest standards of conduct and vigilance are maintained throughout the Group.

In February 2019, we made a series of changes to our Group Executive Board to reflect the quality of talent available at Credit Suisse. Among these was the appointment of Lara Warner to the role of Group Chief Risk Officer. Lara was previously the Group’s Chief Compliance & Regulatory Officer, a position that was created in 2015 when we set up our Compliance and Regulatory Affairs function. Lara’s contribution to the Executive Board and Group over the past three years has been outstanding, as she has overseen the development of industry leading compliance capabilities in an area crucial to our growth strategy. She has created a modern, technology-enabled compliance organization with cutting-edge tools that aim to identify and detect threats across our entire platform while also engaging in efforts to strengthen relationships with our key regulators around the world.

We also announced that Lydie Hudson has been appointed to the role of Chief Compliance Officer, joining the Group Executive Board. Lydie has been with the firm for eleven years, serving most recently as Chief Operating Officer of GM; she has been instrumental in reshaping of the division during the restructuring period. At the same time, Antoinette Poschung was appointed as Global Head of Human Resources, joining the Group Executive Board. Since joining Credit Suisse in 2008, Antoinette has played a key role in talent development across the organization as well as heading a number of Human Resources functions for the Group.

Our compliance and regulatory affairs function has now been split given the growing importance of our relationship with regulators. Regulatory Affairs has been integrated into the CEO office, and the Global Head of Regulatory Affairs will continue maintaining close interaction with our key regulators around the world.

Finally, as part of our restructuring program, we have invested significantly in upgrading our compliance and control frameworks. We increased our headcount in compliance by over 40% over the last three years. We also completed a significant review of over 30,000 legacy clients and over 10,000 control issues and improvements were implemented across the Group. We used cutting edge technology, as previously mentioned, to move from 12 legacy platforms to one strategic platform. Since late 2015, we have rolled out new compliance tools Group-wide, including our Single Client View which now covers 99% of our wealth management clients. Additionally, we rolled out Trader Holistic Surveillance covering all traders globally and Relationship Manager Holistic Surveillance covering approximately 80% of relationship managers.

Banks propel global economic activity

Throughout our restructuring, we remained acutely conscious of our purpose and role as a global financial services group. Banks play an integral role in the local, regional and global economies. We are where people should turn to for safety, trust and reliability. We are meant to offer individuals and companies the comfort of depositing savings safely, to manage their payments securely and to act as financial intermediaries, connectors across markets and economies, bringing borrowers and lenders together, being the catalysts for opportunity and growth.

As banks, we have a duty to our communities and societies as our businesses and activities are often intertwined, even deeply rooted, in the prosperity of others. As a result, Credit Suisse always strives to carry out all its activities in accordance with clear principles and values – particularly our commitment to operating responsibly and with integrity in the interests of our stakeholders.

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In 2017, we announced the establishment of Impact Advisory and Finance (IAF), a department that aims to facilitate projects and initiatives for clients that have a positive economic and social impact, while generating a financial return. IAF is generating significant momentum across both wealth management as well as corporate and investment banking. The department has successfully helped seed impact investing funds in several parts of the world, partnered with the world's leading international organizations working on furthering investment in this space, and continues to drive our international green finance underwriting efforts.

Outlook

We experienced widespread volatility and lower client activity levels across the market in 2018, particularly in the second half. Looking at 2019, while sentiment did improve slightly at the start of the year, as signs of normalization returned to both equity and debt markets, investor concerns continue to weigh on the environment and a cautious approach to investing prevails.

The uncertain political climate in a number of major world economies as well as potential disruptions to world trade continue to be clear concerns. However, with our lower cost base, the reduction of our exposure to risk, our flexible and diversified model and the benefits flowing from the closure of our SRU, we expect to remain resilient in the face of strong headwinds and believe we are well positioned to take advantage of any potential upside.

Looking to the future of Credit Suisse in 2019 and beyond, we believe that the Group will benefit greatly from its position post-restructuring and from its strategic focus on wealth management combined with strong investment banking capabilities. Our target is to achieve a Group reported return on tangible equity of between 10% and 11% for 2019 and between 11% and 12% for 2020, assuming a flat revenue environment and capitalizing on factors under our control. We aim to achieve higher returns with –continued revenue growth in our Wealth Management-related businesses and IBCM, cost efficiencies and lower funding costs, as well as by select strategic investments, subject to market conditions.

We are now, more than ever before, well positioned to take advantage of a number of macro trends that we believe will remain supportive over the long term. We believe that global wealth will continue to grow; entrepreneurs will continue to require the services of our leading investment banking franchise; Switzerland will remain an attractive banking market; sales and trading revenue pools will continue to stagnate or decline worldwide; and both emerging and mature markets will offer attractive growth dynamics over the long term.

At the conclusion of our restructuring, we would like to thank our team of close to 46,000 employees worldwide for their hard work and commitment throughout this period of transformation. We could not have delivered on our goals and objectives without their dedication, effort and time. We would also like to express our thanks to our clients and shareholders for their continued trust and support over the last three years and into the future.

Best regards

Urs Rohner	Tidjane Thiam
Chairman of the	Chief Executive Officer
Board of Directors	

March 2019

1 Source: Dealogic data (Americas and EMEA) for the period ending December 31, 2018.

2 Source: Dealogic data (Global) for the period ending December 31, 2018.

Important Information

* Adjusted results are non-GAAP financial measures that exclude certain items included in our reported results. Refer to "Reconciliation of adjusted results" in I – Information on the –company – Strategy and II – Operating and financial review – Credit Suisse for a reconciliation of the adjusted results to the most directly comparable US GAAP measures and to "–Financial goals" in I – Information on the company – Strategy for further information on estimates and targets that are non-GAAP financial measures.

References to Wealth Management mean Private Clients within Swiss Universal Bank, Private Banking within International Wealth Management, and Private Banking within Wealth –Management & Connected in Asia Pacific or their combined results. References to Wealth Management-related mean Swiss Universal Bank, International Wealth Management and Asia Pacific Wealth Management & Connected or their combined results.

For further details on capital-related information, see "Capital Management-Regulatory Capital Framework" in III-Treasury, Risk, Balance sheet and Off-balance sheet.

We may not achieve all of the expected benefits of our strategic initiatives. Factors beyond our control, including but not limited to the market and economic conditions, changes in laws, rules or regulations and other challenges discussed in our public filings, could limit our ability to achieve some or all of the expected benefits of these initiatives.

This document contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk factors" and in the "Cautionary statement regarding forward-looking information" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2018 filed with the US Securities and Exchange Commission and other public filings and press releases. We do not intend to update these forward-looking statements.

Interview with the Chairman and the Chief Executive Officer

How satisfied are you with the progress achieved by Credit Suisse since the start of the restructuring?

Chairman: We have come a very long way since we began transforming the bank in late 2015 on the basis of our newly developed strategy. Together with Tidjane Thiam who assembled a new management team, we embarked on an ambitious plan to fundamentally alter the structure and activities of Credit Suisse – right down to the individual businesses. As a global bank with more than 48,000 employees in 2015 and operations in over 50 countries, that was no small undertaking. I think we have every reason to be satisfied with what we have achieved over the last few years. Credit Suisse is today a very different bank to when we started that journey and is certainly a great deal more resilient.

CEO: I am pleased for our colleagues as they are now starting to see the tangible results of their hard work. The last few years were an intense period for us all, and we faced many headwinds along the way. At the start of the restructuring process in 2015, we identified the most pressing problems we had to tackle. We wanted to achieve sustainable, compliant and profitable growth – shifting our focus to wealth management and leveraging our strong investment banking capabilities. It was also imperative for us to reduce both risks and costs as well as substantially strengthen our balance sheet. We had significant legacy issues to address, and we needed to upgrade our risk and compliance capabilities. We can say that, after three years of continuous effort, we have broadly achieved these objectives. That is a satisfying outcome for all of us at the bank, not to mention our clients and shareholders.

Credit Suisse recently announced new appointments to the Executive Board and senior leadership team. Can you explain the reasons for these changes – and why they are being made at this point in time?

CEO: The organisational structure we established in 2015 has worked well, producing strong results in our three regionally-focused businesses – Swiss Universal Bank (SUB), International Wealth Management (IWM) and Asia Pacific Wealth Management & Connected – in terms of revenue and profit growth, with approximately CHF 100 billion of Wealth Management net new assets acquired over three years. With the transformation of Credit Suisse now complete, we are ready to move into the next phase of our development and are taking the necessary steps to prepare for it. In February 2019, we made a number of new appointments to functional roles on the Executive Board and in our senior leadership team. It is very important for us to be successful in this post restructuring phase we are entering, and we want to ensure that our Group corporate functions are well aligned with our model as they support and interact with our divisions both in terms of effectiveness and efficiency. The recent changes will ensure we continue to make progress on that journey of improvement.

Chairman: The Board of Directors approved these appointments and fully supports the organizational changes, which should allow us to make continued progress on our journey of improvement. In particular, they are designed to ensure that key Group corporate functions – Risk, Compliance, Human Resources, Regulatory Affairs and Investor Relations, Corporate Communications, Marketing & Branding – are better aligned with our strategic model so they can interact with the businesses and support them as efficiently and effectively as possible. Overall, the Group corporate functions are instrumental in helping us to make the right decision for our business as we work towards our long-term goals.

How would you rate Credit Suisse's performance in 2018? Which areas of the business did especially well?

CEO: We performed well in 2018. With CHF 3.37 billion of Group reported pre-tax income in 2018, our income rose by 88% year on year. Net income attributable to shareholders was CHF 2.02 billion – marking our first annual post-tax profit since 2014. Many of our businesses are achieving strong, profitable, compliant growth, especially in our wealth management-focused divisions SUB, IWM and Asia Pacific (APAC). We attracted CHF 34.4 billion of Wealth Management net new assets in 2018 alone, with net inflows reported each quarter. SUB saw a further acceleration in its profitability in 2018, with adjusted* pre-tax income growth of 18% to CHF 2.2 billion. In IWM, we outperformed our closest peers in all our markets, exceeding our adjusted pre-tax income target of CHF 1.8 billion. I was satisfied with the results of our APAC division, given the significant market dislocation we saw towards the end of the year. Our performance in that region shows all the value of our innovative integrated model delivering private banking, investment banking and financing services to our clients. We also made considerable progress in Investment Banking & Capital Markets (IBCM), and in Global Markets (GM), which has demonstrated strict resource and risk discipline in a challenging environment.

How do you explain the disappointing performance of the Credit Suisse share price over the past 12 months? Do you view this as part of a broader trend affecting European financials?

Chairman:

Indeed, our share price and the banking sector as a whole have suffered major losses. Of course, this is anything but pleasing, whether for shareholders, the management team or other employees who would like to see their performance reflected in the value of the company and who are also partly paid in shares. However, we must bear in mind that our share price was impacted by a number of forces which were prevalent across the European banking landscape, and markets as a whole, for most of 2018. With the improvements in profitability management has achieved, we are confident that returns for the Group can continue to improve in 2019 and in the future, subject to market conditions, and should be reflected in a higher share price over time. We expect that in 2019, our shareholders should begin to see the benefits of the restructuring – both through the anticipated return of capital and aimed increase in tangible book value per share as capital generation strengthens.

On the subject of returning capital to shareholders, can you explain the reason for the buyback you announced in December 2018?

CEO: At the end of last year, the Board of Directors approved a share buyback programme of Group ordinary shares of up to CHF 1.5 billion in 2019 because we are committed to returning capital to our shareholders. Credit Suisse began repurchasing shares in January, and we expect to repurchase at least CHF 1.0 billion this year, subject to market and economic conditions. Buybacks are core to satisfying our commitment to shareholders. Our focus is on generating capital and then to distribute at least 50% of net income to shareholders. The reason we favour share buybacks over dividends is they give the company greater flexibility and will allow us to reduce some of the dilution that occurred due to previous capital increases, which were indispensable to eliminate our legacy issues, restructure the Group and return to growth, but were costly for shareholders.

Is your Swiss home market still as important for Credit Suisse in 2019 as it was in the past? How Swiss is today’s Credit Suisse?

Chairman: Yes, absolutely. Switzerland is our home. Our Swiss roots are reflected in our name, and they are just as important today as they were when Alfred Escher established the bank more than 160 years ago. Our decision to create the Swiss Universal Bank division back in 2015 underscores our strong commitment to this market, and it is today the largest contributor to our profits. If you consider that around one in five people and over 100,000 businesses in Switzerland bank with Credit Suisse, and we have more than CHF 160 billion of loans outstanding to Swiss clients, it shows the close ties between our bank and the Swiss economy. Let’s not forget that we are also one of the country’s largest employers, with 15,840 members of our workforce based here. I would also say that compared to other international companies based in Switzerland, Credit Suisse is a very Swiss institution. One-third of the members of our Executive Board are Swiss and a significant proportion of them reside here in Switzerland. We have always made sure that overall, the Board of Directors retains its Swiss nature. In short, our strategy and our ambitions for our Swiss home market remain unchanged.

CEO: I have always believed that in business, like in sport, it is crucially important to be able to ‘win at home’. Creating our Swiss Universal Bank and emphasising the importance of Switzerland was an integral part of my vision for Credit Suisse. Being named ‘Best Bank in Switzerland’ both by ‘The Banker’ magazine and by Euromoney is something we set out to achieve and of which we are all very proud.

At the start of the restructuring, you underscored the scale of the wealth management opportunity in Asia. Do you still believe the region offers the same potential?

CEO: I actually underscored the scale of the opportunity both in mature economies like Switzerland, where we have effectively been able to grow since 2015, and in emerging economies in general, which includes Asia, yes, but also Latin America, the Middle East and Eastern Europe. Focusing on Asia for a moment, it is worth noting that in 2018, the Asia region had around 800 billionaires, an increase of around one-third from the prior year. That is a staggering pace of growth – and yet the private banking market in Asia is still in its infancy. The total volume of wealth in our target segment – ultra-high-net worth clients and entrepreneurs – is estimated at around USD 5,000 billion. At present, as demonstrated by our 2018 results, Credit Suisse is a leader in wealth management in Asia, ranking third in Asia in terms of assets under management, but we still have only a small percentage of the potential market. I see three ways of growing our business in the region. First, our existing clients are becoming ever wealthier, which means our recurring revenue from managing their assets should increase. Second, we can grow our market share with each client – often by offering them solutions to specific opportunities they see or challenges they face. And third, we hope that a good proportion of these new billionaires that are emerging will be attracted by what Credit Suisse can do for them. That’s not to say that we didn’t see challenges across the Asian markets in 2018, with trade tensions and other macro issues impacting client sentiment and risk appetite. However, we continue to believe in the long term attractiveness of the region.

You recently proposed the election of a new Board member from Asia, Shan Li. What kind of insights into the Asia region do you hope to gain from him? And with regard to the second new Board member, Christian Gellerstad, where do you seek to leverage his expertise and experience?

Chairman: I believe both Board members will ideally complement the strengths of the Board with their excellent capabilities and will contribute their expertise to the future development of our strategy. Shan Li has an excellent track record in the financial services industry – especially in the Chinese market, which is of key importance for Credit Suisse. In China, the focus is shifting from industry and manufacturing goods to consumption and services. The healthcare and Information Technology sectors are booming, and we can see plenty of potential for our strategy of being the global “Bank for Entrepreneurs” for our onshore China clients. We are positioning our franchise for an eventual full China market opening, and we expect Shan Li’s experience will be a significant benefit as we move towards this goal. Christian Gellerstad is a well-recognized wealth management expert. His more than two decades of industry experience and leadership expertise in running a private banking business in mature and developing markets should make him ideally positioned to support our growth initiatives in wealth management.

What would you describe as the key ingredients of a successful client relationship? How is this changing as a result of digitalization?

Chairman: I think trust is the most vital ingredient for a successful client relationship. In fact, our entire business works on the basis of trust. Our clients entrust us with their assets and turn to us for advice because they have confidence in our financial expertise and our ability to deliver good performance, as well as in our financial solidity and resilience as a bank. At the same time, we know that for many of our clients, reputation is as important as performance in their choice of financial partner. We therefore work according to clear conduct and ethics standards and expect our employees to act responsibly and with integrity under any circumstances. Last year, Credit Suisse attracted over CHF 56 billion of net new assets. I see that as clear evidence of the trust that clients around the globe place in Credit Suisse.

CEO: I agree that we must earn our clients' trust day after day to build strong relationships with them. I also believe that we must strive to be a professional and reliable partner and deliver our full range of expertise to them – whether it is by providing the best possible investment advice, ensuring best execution of their transactions or protecting and growing their assets. Naturally, we also have to keep pace with their changing needs. With the advance of technology, we are seeing a tectonic shift in what individual clients want and expect from us. For example, millennials drastically differ from previous generations of clients in their consumer behavior. They are technology natives and are purpose-driven. They are demanding faster and more convenient access to our services via their preferred channels, and they want banking to be truly mobile. In response, we are continuing to develop and expand our digital offering along the client lifecycle and are creating user interfaces and consumer touch points that make sense for them. Anticipating and acting on our clients' changing needs is unquestionably a key part of being a successful financial partner.

Credit Suisse has underscored its efforts to resolve legacy issues and to implement a robust compliance and control framework, as well as bringing about a change of culture within the Group. Which concrete steps have you taken? What role does the Board of Directors play in influencing our corporate culture?

Chairman: Resolving legacy issues and upgrading our compliance and control framework with enhanced processes were integral parts of the restructuring process. We also said that we wanted to transform the Group's culture. We have delivered on these objectives through a series of targeted measures. Let me give you a couple of examples: First, to build a culture of integrity and fairness, we recognized the need to have a single set of values for employees across all our businesses and regions. We therefore launched our Group-wide Conduct and Ethics Standards, which promote a shared understanding and expectations in terms of our values and conduct. Naturally, our Code of Conduct, which is endorsed by the Board of Directors and Executive Board, and is binding for all employees as well as Board members, is of key importance in this context. Second, in terms of reinforcing compliance, Credit Suisse fully embraced the regulatory and legislative changes that were introduced over the last decade to remedy the industry's shortcomings. Today, our Compliance unit operates as an independent Executive Board-level function, underscoring its high level of importance within Credit Suisse. As part of the organizational changes I mentioned before, the Regulatory Affairs function now reports directly to the CEO – reflecting the growing importance of our relationship with regulators. In addition, in early 2019, the Board of Directors established the Conduct and Financial Crime Control Committee to monitor and assess the effectiveness of our financial crime compliance programs and initiatives that are focused on further improving conduct and vigilance as part of our efforts to combat financial crime and firmly embed a strong compliance culture in the Group.

Credit Suisse is today placing a strong emphasis on sustainable finance and impact investing – why is this area so important to you?

CEO: Because it is simply the right thing to do. It is therefore not surprising that there has been a notable increase in the demand for sustainable and impact investing products in recent years as more and more investors seek ways of using their capital to have a positive impact on the world while also producing a financial return. Credit Suisse has been active in this space for more than a decade, and we are working hard to meet this growing demand. In 2017, I established the Impact Advisory & Finance (IAF) department, which reports directly to me. It aims to facilitate projects and initiatives for clients that have a positive economic and social impact while delivering financial returns. IAF generated significant momentum across both wealth management and corporate and investment banking in 2018. It is also playing a part in codifying this relatively new but rapidly growing sector. Through these activities, we can contribute to the development of the global economy and support social progress and environmental sustainability.

These are topics that are important to me.

Technology has already transformed much of what Credit Suisse does. In which areas do you expect to see the greatest technological benefits in the coming years? What are the main cyber risks facing the industry and what steps are you taking to protect Credit Suisse and its clients?

Chairman: Technology catalyzes disruptive change and drives progress in our industry. That is why, in 2015, the Board established an Innovation and Technology Committee, an interdisciplinary advisory group to discuss the progress we are making at Credit Suisse in terms of innovation and technology initiatives as well as to consider industry-wide technology trends. The Group's leadership regularly examines the role that innovation and technology will play in the future of banking, and how we can most effectively deploy them across our divisions. In the coming years, I expect

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to see an uptick in the use of technological innovations in banking, leveraging amongst much else the cloud, distributed ledger, automation, robotics and machine-learning as well as data science more generally. Of course, rapid technological development also brings new challenges, for example in the field of cybersecurity, which will be a serious concern across our industry for the foreseeable future. Regulators and companies are working to understand how best to protect banks' data and the integrity of the financial services ecosystem. We continue to invest significantly in our information and cybersecurity programs, and we regularly assess the effectiveness of our key controls. In addition, we routinely conduct employee training to embed a mature cyber risk management culture within the organization.

2019 marks the 200th anniversary of the birth of Credit Suisse's founder Alfred Escher. What do you find most inspiring about him? To what extent is his vision of entrepreneurship still relevant today?

Chairman: What I find most inspiring about Alfred Escher is his incredible entrepreneurial spirit and his desire to bring about lasting change – benefiting the economy and society. In the 19th century, Escher almost single-handedly developed part of the infrastructure of modern Switzerland, including its rail network and the famous Gotthard tunnel. And of course, he founded Credit Suisse in 1856 to raise capital for his infrastructure projects. I am inspired by the courage he showed in pursuing his vision at a time when many of his ideas were met with skepticism. He was relentless in his efforts to drive progress and prosperity. Today, Escher still inspires us with his foresight and determination to make things happen. What we can learn from his vision of entrepreneurship is the importance of anticipating future trends, having the courage of your convictions and thinking creatively to formulate innovative solutions. A portrait of our founder hangs in the boardroom here at our head office in Zurich and is a constant reminder of his great legacy.

What do you expect to be the greatest challenges for Credit Suisse in 2019?

CEO: I believe the main headwinds we will face in 2019 relate to heightened global geopolitical and macroeconomic uncertainties. These include the potential disruptions to world trade due to tensions between the US and China and other uncertainties in the world whether it is the situation in the Middle East in general, the UK's anticipated withdrawal from the EU or the impact of the situation in Venezuela on Latin America, to name a few. These developments are especially challenging due to their potential adverse impact on investor confidence and client activity levels. The continuation of the ultra-low interest rate environment in many countries also places a burden on our business. Nevertheless, I am confident that Credit Suisse can remain resilient in the face of these pressures thanks to our lower cost base, reduced risk exposures, our flexible and diversified business model and the benefits flowing from the closure of our Strategic Resolution Unit. And, of course, we are well positioned to take advantage of any potential upside going forward.

* Adjusted results are non-GAAP financial measures that exclude certain items included in our reported results. For further information relating to this and other descriptions in this interview, please refer to the endnotes in the "Message from the Chairman and the Chief Executive Officer".

I – Information on the company
Credit Suisse at a glance
Strategy
Divisions
Regulation and supervision
Risk factors

Credit Suisse at a glance

Credit Suisse

Our strategy builds on Credit Suisse's core strengths: its position as a leading global wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We seek to follow a balanced approach with our wealth management activities, aiming to capitalize on both the large pool of wealth within mature markets as well as the significant growth in wealth in Asia Pacific and other emerging markets. Founded in 1856, we today have a global reach with operations in about 50 countries and 45,680 employees from over 150 different nations. Our broad footprint helps us to generate a ‒geographically ‒balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specializing in investment banking capabilities: Global ‒Markets and ‒Investment ‒Banking & Capital Markets. The Strategic Resolution Unit consolidated the remaining portfolios from the former non-‒strategic units plus additional businesses and positions that did not fit with our strategic direction. Our business divisions cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

Swiss Universal Bank

The Swiss Universal Bank division offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients primarily domiciled in our home market Switzerland, which offers attractive growth opportunities and where we can build on a strong market position across our key businesses. Our Private ‒Clients business has a leading franchise in our Swiss home market and serves ultra-high-net-worth individual, high-net-worth individual, affluent and retail clients. Our Corporate & Institutional Clients business serves large corporate clients, small and medium-sized enterprises, institutional clients, external asset managers, financial institutions and commodity traders.

‒International Wealth Management

The International Wealth Management division through its Private Banking business offers comprehensive advisory services and tailored investment and financing solutions to wealthy private clients and external asset managers in Europe, the Middle East, Africa and Latin America, utilizing comprehensive access to the broad spectrum of Credit Suisse's global resources and capabilities as well as a wide range of proprietary and third-party products and services. Our Asset Management business offers investment solutions and services globally to a broad range of clients, including pension funds, governments, foundations and endowments, corporations and individuals.

Asia Pacific

In the Asia Pacific division, our wealth management, financing and underwriting and advisory teams work closely together to deliver integrated advisory services and solutions to our target ultra-high-net-worth, entrepreneur and corporate clients. Our Wealth Management & Connected business combines our activities in wealth management with our financing, underwriting and advisory activities. Our Markets business represents our equities and fixed income sales and trading businesses, which support our wealth management activities, but also deals extensively with a broader range of institutional clients.

Global Markets

The Global Markets division offers a broad range of financial products and services to client-driven businesses and also supports Credit Suisse's global wealth management businesses and their clients. Our suite of products and services includes global securities sales, trading and execution, prime brokerage and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors, such as pension funds and hedge funds, and private individuals around the world.

Investment Banking & Capital Markets

The Investment Banking & Capital Markets division offers a broad range of investment banking services to corporations, financial institutions, financial sponsors and ultra-high-net-worth individuals and sovereign clients. Our range of products and services includes advisory services related to mergers and acquisitions, divestitures, takeover defense mandates, business restructurings and spin-offs. The division also engages in debt and equity underwriting of public securities offerings and private placements.

Strategic Resolution Unit

The Strategic Resolution Unit was −created to facilitate the immediate right-sizing of our business divisions from a capital perspective and included remaining portfolios from former non-strategic units plus transfers of additional exposures from the business divisions. The unit's primary focus was on facilitating the rapid wind-down of capital usage and costs to reduce the negative impact on the Group's performance. Repositioned as a separate division, this provided clearer accountability, governance and reporting. Beginning in 2019, the Strategic −Resolution Unit has ceased to exist as a separate division of the Group.

Strategy

Credit Suisse strategy

Our strategy is to be a leading wealth manager with strong investment banking capabilities.

We believe wealth management is one of the most attractive segments in banking. Global wealth has grown significantly over the last ten years and is projected to continue to grow faster than GDP over the next several years, with both emerging markets and mature markets offering attractive growth opportunities. We seek to follow a balanced approach with our wealth management activities, aiming to capitalize on both the large pool of wealth within mature markets as well as the significant growth in wealth in Asia Pacific and other emerging markets.

In the wealth management sector, we expect that emerging markets will account for nearly 60% of the growth in global wealth in the coming years, with more than 60% of that additional wealth expected to be created in Asia Pacific. Wealth is highly concentrated in emerging markets, with wealth creation mostly tied to first and second generation entrepreneurs. We believe that positioning ourselves as the "Bank for Entrepreneurs" by leveraging our strengths in wealth management and investment banking will provide us with key competitive advantages to succeed in these markets as we provide clients with a range of services to protect and grow their wealth and offer an integrated approach across their private and corporate financial needs. We are scaling up our wealth management franchise in emerging markets by recruiting and retaining high-quality relationship managers while prudently managing our lending exposure, building on our strong investment and advisory offering and global investment banking capabilities. At the same time we are investing in our risk management and compliance functions.

Despite slower growth, mature markets are still expected to remain important and account for more than half of global wealth by 2022. We plan to capitalize on opportunities in markets such as Western Europe, with a focused approach to building scale given the highly competitive environment.

Switzerland, as our home market, provides compelling opportunities for Credit Suisse. Switzerland remains the country with the highest average wealth and highest density of affluent clients globally. Switzerland benefits from its highly developed and traditionally resilient economy, where many entrepreneurial small and medium-sized enterprises continue to drive strong export performance. We provide a full range of services to private, corporate and institutional clients with a specific focus on becoming the "Bank for Entrepreneurs" and plan to further expand our strong position with Swiss private, corporate and institutional clients as well as take advantage of opportunities arising from consolidation.

We have simplified and de-risked our Global Markets business model, reducing complexity and cost while continuing to support our core institutional client franchises and maintaining strong positions in our core franchises. We aim to further strengthen our International Trading Solutions business, our product manufacturing and distribution platform relating to our Global Markets, Swiss Universal Bank and International Wealth Management divisions. We have right-sized our operations and reduced risk in a focused way by exiting or downsizing selected businesses consistent with our return on capital objectives and lower risk profile.

In our Investment Banking & Capital Markets division, we have focused on rebalancing our product mix towards advisory and equity underwriting while maintaining our leading leveraged finance franchise. Our objective is to align, and selectively invest in, our coverage and capital resources with the largest growth opportunities and where our franchise is well-positioned. We believe this will help us to strengthen our market position, contribute to a revenue mix that is more diversified and less volatile through the market cycle and achieve returns in excess of our cost of capital. We will continue to leverage Investment Banking & Capital Markets' global connectivity with our other divisions and its platform to drive opportunities for the Group.

We intend to continue with a disciplined approach to cost management across the Group, focusing on continuous productivity improvements that can release resources for growth investments while maintaining a strong operating leverage.

Completion of the three-year restructuring plan

We have successfully completed our ambitious three-year restructuring plan outlined at the Investor Day on October 21, 2015.

Delivered profitable growth

Over the last three years we have rebalanced the allocation of capital towards our high-quality and high-returning Wealth Management-related and Investment Banking & Capital Markets businesses. This has led to a significant shift in our business mix with more than two-thirds of our capital, excluding the Corporate Center and the Strategic

Resolution Unit, allocated to our Wealth Management-related and Investment Banking & Capital Markets businesses. References to our Wealth Management-related businesses mean our Swiss Universal Bank division, our International Wealth Management division and our Wealth Management & Connected business within our Asia Pacific division or their combined results.

Since 2015, we have attracted CHF 100.9 billion of net new assets in Wealth Management, leading to assets under management of CHF 757.2 billion. Our balanced approach in Wealth Management has contributed to positive inflows in mature markets as well as strong inflows in emerging markets. Our focus on growing our entrepreneur and ultra-high-net-worth (UHNW) franchise has been successful with Wealth Management net new assets of CHF 34.4 billion in 2018, an increase of 90% since 2015. References to Wealth Management in connection with net new assets or assets under management measures mean the Private Clients business within Swiss Universal Bank, the Private Banking business within International Wealth Management

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and the Wealth Management & Connected business within Asia Pacific or their combined results.
In Investment Banking & Capital Markets, we have made notable progress in the execution of our targeted plans for investment grade corporates, non-investment grade corporates and financial sponsors and have improved share of wallet across all of these client segments since 2015.
Our strategic actions have led to strong growth in our Wealth Management-related and Investment Banking & Capital Markets businesses. We have grown our Wealth Management-related and Investment Banking & Capital Markets revenues by CHF 2.0 billion since 2015, which represents a compound annual growth rate of 5%. Our focus on delivering positive operating leverage has continuously driven returns higher in our Wealth Management-related and Investment Banking & Capital Markets businesses as we have achieved an income before taxes of CHF 4.9 billion in 2018, an increase of 159% since 2015 and adjusted income before taxes of CHF 5.2 billion in 2018, an increase of 75% since 2015.
> Refer to "Wealth Management-related businesses and Investment Banking & Capital Markets – Reconciliation of adjusted results" for further information.
Improved the resilience of our business model
A key focus of our strategy has been to make the bank more resilient in challenging market conditions while preserving our ability to benefit when markets are more favorable.
Over the last three years we have significantly lowered the breakeven point of the Group. In 2015, we announced our strategic cost transformation program with the aim of reducing our adjusted operating cost base measured at constant 2015 foreign exchange rates to below CHF 17 billion, in order to achieve net savings of more than CHF 4.2 billion. We successfully completed the program at the end of this year, achieving reported total operating expenses of CHF 17.3 billion and an adjusted operating cost base of CHF 16.5 billion.
> Refer to "Operating cost base – Reconciliation of adjusted results" for further information.
Since 2015, we have substantially lowered the risk profile of our business activities. On a Group level we have reduced average Value-at-Risk by 41% and reduced level 3 assets by 50%. In our Global Markets business we have successfully restructured our business portfolio while maintaining our core franchise strengths and reducing risk-weighted assets and leverage exposure since the third quarter of 2015.
We have significantly strengthened our capital position since the third quarter of 2015 with look-through common equity tier 1 (CET1) capital of CHF 35.9 billion and Tier 1 capital of CHF 46.1 billion as of year-end 2018. Our look-through CET1 ratio has increased from 10.2% in the third quarter of 2015 to 12.6% at year-end 2018 and our look-through Tier 1 leverage ratio has increased from 3.9% in the third quarter of 2015 to 5.2% as of year-end 2018.
In addition we have established a dedicated compliance function in 2015 and made sizeable investments to upgrade our compliance and control frameworks as well as strengthened our risk management function.
Resolved legacy issues and wound-down our Strategic Resolution Unit
Over the last three years, we have resolved major litigation issues including the US Department of Justice (DOJ) residential mortgage-backed securities (RMBS) matter.
At year-end 2018 the Strategic Resolution Unit was wound down as a separate division. We achieved the targets we set for the Strategic Resolution Unit in 2015, releasing significant capital for the Group and substantially reducing the negative impact on income before taxes. The residual portfolio remaining as of December 31, 2018 is now managed in an Asset Resolution Unit (ARU) and will be separately disclosed within the Corporate Center.

Reconciliation of adjusted results

Adjusted results referred to in this document are non-GAAP financial measures that exclude certain items included in our reported results. Management believes that adjusted results provide a useful presentation of our operating results for purposes of assessing our Group and divisional performance consistently over time, on a basis that excludes items that management does not consider representative of our underlying performance.

The adjusted operating cost base at constant foreign exchange rates from 2015 includes adjustments as made in all our disclosures for restructuring expenses, major litigation provisions, expenses related to business sales and a goodwill impairment taken in the fourth quarter of 2015 as well as adjustments for debit valuation adjustments (DVA) related volatility, foreign exchange impacts and for certain accounting changes which had not been in place at the launch of the cost savings program. Adjustments for certain accounting changes have been restated to reflect grossed up expenses in the Corporate Center and, starting in the first quarter of 2018, also include adjustments for changes from ASU 2014-09 "Revenue from Contracts with Customers". Adjustments for foreign exchange apply unweighted currency exchange rates, i.e., a straight line average of monthly rates, consistently for the periods under review.

Wealth Management-related businesses and Investment Banking & Capital Markets –
Reconciliation of adjusted results

	Wealth Management-related businesses			Investment Banking & Capital Markets		Total	
in	2018	2017	2015	2018	2015	2018	2015
Adjusted results (CHF million)							
Net revenues	**13,268**	**12,829**	**11,631**[1]	**2,177**	**1,787**	**15,445**	**13,418**
Real estate gains	(23)	0	(95)	0	0	(23)	(95)
(Gains)/losses on business sales	(92)	28	(34)	0	0	(92)	(34)
Adjusted net revenues	**13,153**	**12,857**	**11,502**	**2,177**	**1,787**	**15,330**	**13,289**
Provision for credit losses	**186**	**117**	**174**	**24**	**0**	**210**	**174**
Total operating expenses	**8,561**	**8,797**	**9,252**[2]	**1,809**	**2,101**	**10,370**	**11,353**
Goodwill impairment	0	0	(446)	0	(380)	0	(826)
Restructuring expenses	(243)	(150)	(79)	(84)	(22)	(327)	(101)
Major litigation provisions	(116)	(97)	(299)	(1)	0	(117)	(299)
Expenses related to business sales	(47)	0	0	0	0	(47)	0
Adjusted total operating expenses	**8,155**	**8,550**	**8,428**	**1,724**	**1,699**	**9,879**	**10,127**
Income/(loss) before taxes	**4,521**	**3,915**	**2,205**	**344**	**(314)**	**4,865**	**1,891**
Total adjustments	291	275	695	85	402	376	1,097
Adjusted income before taxes	**4,812**	**4,190**	**2,900**	**429**	**88**	**5,241**	**2,988**

1
Excludes net revenues of CHF 148 million for Swisscard.
2
Excludes operating expenses of CHF 123 million for Swisscard.

Operating cost base - Reconciliation of adjusted results

in	2018	2017	2016	2015
Adjusted results (CHF million)				
Total operating expenses	**17,303**	**18,897**	**22,337**	**25,895**
Goodwill impairment	0	0	0	(3,797)
Restructuring expenses	(626)	(455)	(540)	(355)

Major litigation provisions	(244)	(493)	(2,707)	(820)
Expenses related to business sales	(51)	(8)	0	0
Debit valuation adjustments (DVA)	46	(83)	0	0
Certain accounting changes	(228)	(234)	(70)	(58)
Operating cost base before foreign exchange adjustment	**16,200**	**17,624**	**19,020**	**20,865**
Foreign exchange adjustment [1]	334	326	291	310
Adjusted operating cost base	**16,534**	**17,950**	**19,311**	**21,175**

1
Calculated at constant 2015 foreign exchange rates.

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Financial goals

At the Investor Day on December 12, 2018, we communicated our return on tangible equity (RoTE) targets for the Group. We confirmed our RoTE target of 10 – 11% for 2019 and 11 – 12% for 2020 and announced a target of above 12% beyond 2020.

For 2019 and 2020, we plan to distribute at least 50% of net income to shareholders, primarily through share buybacks and the distribution of a sustainable ordinary dividend, which dividend amount we expect to increase by at least 5% per annum. For 2019, the Board of Directors of the Group approved a share buyback program of Group ordinary shares of up to CHF 1.5 billion. We expect to buy back at least CHF 1.0 billion in 2019, subject to market and economic conditions. For 2020, we expect a similar share buyback program as in 2019, subject to approval by the Board of Directors. The level of the share buyback for 2020 will be set in light of our capital plans and will be subject to prevailing market conditions, but is expected to be in line with our intention to distribute at least 50% of net income. We commenced the share buyback program on January 14, 2019.

Our estimates and targets often include metrics that are non-GAAP financial measures and are unaudited. A reconciliation of these estimates and targets to the nearest GAAP measures is unavailable without unreasonable efforts. Adjusted results exclude goodwill impairment, major litigation charges, real estate gains and other revenue and expense items included in our reported results, which are unavailable on a prospective basis. RoTE is based on tangible shareholders' equity, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity as presented in our balance sheet, both of which are unavailable on a prospective basis. Such estimates and targets are calculated in a manner that is consistent with the accounting policies applied by us in preparing our financial statements.

Organizational structure

Our organizational structure consists of three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. Our organization is designed to drive stronger client focus and provide better alignment with regulatory requirements, with decentralization increasing the speed of decision-making, accountability and cost competiveness across the Group. Our operating businesses are supported by focused corporate functions at the Group Executive Board level, consisting of: Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Compliance Officer, General Counsel and Global Head of Human Resources.

Evolution of legal entity structure

The execution of the program evolving the Group's legal entity structure to support the realization of our strategic objectives, increase the resilience of the Group and meet developing and future regulatory requirements has substantially concluded. The legal entity program was prepared in discussion with the Swiss Financial Market Supervisory Authority FINMA (FINMA), our primary regulator, and other regulators and addressed regulations in Switzerland, the US and the UK with respect to requirements for global recovery and resolution planning by systemically relevant banks, such as Credit Suisse, that will facilitate resolution of an institution in the event of a failure. The program was approved by the Board of Directors of the Group and certain elements required final approval by FINMA and other global regulators.

Products and services

Private banking offerings and wealth management solutions

We offer a wide range of private banking and wealth management solutions tailored for our clients in our Swiss Universal Bank, International Wealth Management and Asia Pacific divisions.

Client segment specific value propositions

Our wide range of wealth management solutions is tailored to specific client segments. Close collaboration with our investment banking businesses enables us to offer customized and innovative solutions to our clients, especially in the ultra-high-net-worth individuals (UHNWI) segment, and we have specialized teams offering bespoke and complex solutions predominantly for our sophisticated clients. This distinct value proposition of our integrated bank remains a key strength in our client offerings.

Structured advisory process

We apply a structured approach in our advisory process based on a thorough understanding of our clients' needs, personal circumstances, product knowledge, investment objectives and a comprehensive analysis of their financial situation to define individual client risk profiles. On this basis, we define an individual investment strategy in collaboration with our clients. This strategy is implemented to help ensure adherence to portfolio quality standards and compliance with suitability and appropriateness standards for all investment instruments. Responsible for the implementation are either the portfolio managers or our relationship managers working together with their advisory clients. Our UHNWI relationship managers are supported by dedicated portfolio managers.

Comprehensive investment services

We offer a comprehensive range of investment advice and discretionary asset management services based on the outcome of our structured advisory process and the global "House View" of our Credit Suisse Investment Committee. We base our advice and services on the analysis and recommendations of our research and investment strategy teams, which provide a wide range of investment expertise, including macroeconomic, equity, bond, commodity and foreign-exchange analysis, as well as research on the economy. Our investment advice covers a range of services, from portfolio consulting to advising on individual investments. We offer our clients portfolio and risk management solutions, including managed investment products. These are products actively managed and structured by our specialists or third parties, providing private investors with access to investment opportunities that otherwise would not be available to them. For clients with more complex requirements, we offer investment portfolio structuring and the implementation of individual strategies, including a wide range of structured products and alternative investments. Discretionary asset management services are available to clients who wish to delegate the responsibility for investment decisions to Credit Suisse. We are an industry leader in alternative investments and, in close collaboration with our asset management business and investment banking businesses, we offer innovative products with limited correlation to equities and bonds, such as hedge funds, private equity, commodities and real estate investments.

In addition, we offer solutions for a range of private and corporate wealth management needs, which include financial planning, succession planning and trust services.

Financing and lending

We offer a broad range of financing and lending solutions across all of our private client segments, including consumer credit and real estate mortgage lending, real asset lending relating to ship and aviation financing for UHNWI, standard and structured hedging and lombard lending solutions as well as collateral trading services.

Multi-shore platform

With global operations comprising 13 international booking centers in addition to our operations in Switzerland, we are able to offer our clients booking capabilities locally as well as through our international hubs. Our multi-shore offering is designed to serve clients who are focused on geographical risk diversification, have multiple domiciles, seek access to global execution services or are interested in a wider range of products than is available to them locally.

Corporate client and institutional client offerings

In accordance with our ambition to position ourselves as the "Bank for Entrepreneurs", we provide corporate and institutional clients, predominantly in Switzerland, with a broad range of financial solutions. To meet our clients' evolving needs, we deliver our offering through an integrated franchise and international presence. Based on this model, we are able to assist our clients in virtually every stage of their business life cycle to cover their banking needs. For corporate clients, we provide a wide spectrum of banking products such as traditional and structured lending, payment services, foreign exchange, capital goods leasing and investment solutions. In addition, we apply our investment banking capabilities to supply customized services in the areas of M&A, syndications and structured finance. For corporations with specific needs for global finance and transaction banking, we provide services in commodity trade finance, trade finance, structured trade finance, export finance and factoring. For our Swiss institutional clients, including pension funds, insurance companies, public sector and UHNWI clients, we offer a wide range of fund solutions and fund-linked services, including fund management and administration, fund design and comprehensive global custody solutions. Our offering also includes ship and aviation finance and a competitive range of services and products for financial institutions such as securities, cash and treasury services.

Asset management offerings

Our traditional investment products provide strategies and comprehensive management across equities, fixed income, and multi-asset products in both fund formation and customized solutions. Stressing investment principles, such as risk management and asset allocation, we take an active and disciplined approach to investing. Alongside our actively managed offerings, we have a suite of passively managed solutions, which provide clients access to a wide variety of investment options for different asset classes in a cost-effective manner.

We also offer institutional and individual clients a range of alternative investment products, including credit investments, hedge fund strategies, real estate and commodities. We are also able to offer access to various asset classes and markets through strategic alliances and key joint ventures with external managers.

Investment banking financial solutions

Equity underwriting

Equity capital markets originates, syndicates and underwrites equity in initial public offerings (IPOs), common and convertible stock issues, acquisition financing and other equity issues.

Debt underwriting

Debt capital markets originates, syndicates and underwrites corporate and sovereign debt.

Advisory services

Advisory services advises clients on all aspects of M&A, corporate sales, restructurings, divestitures, spin-offs and takeover defense strategies.

Equities

Cash equities provides a comprehensive suite of offerings, including: (i) research, analytics and other content-driven products and services (ii) sales trading, responsible for managing the order flow between our clients and the marketplace and providing clients with trading ideas and capital commitments, identifying trends and delivering the most effective trade execution; (iii) high touch and program trading, exchange-traded funds (ETFs) and advanced execution services (AES) platform under our global execution services group, which executes client orders and makes markets in listed and over-the-counter (OTC) cash securities, ETFs and programs, providing liquidity to the market through both capital commitments and risk management. AES is a sophisticated suite of algorithmic trading strategies, tools and analytics that facilitates global trading across equities, options, futures and foreign exchange. By employing algorithms to execute client orders and limit volatility, AES helps institutions and hedge funds reduce market impact. AES is a recognized leader in its field and provides access to over 100 trading destinations in over 40 countries and six continents.

Prime services offers hedge funds and institutional clients execution, financing, custody, clearing and risk advisory services across various asset classes through prime brokerage, synthetic financing and listed and OTC derivatives. In addition, we partner with the most established fund managers, fast-growing funds and select startups, blending traditional prime brokerage services with innovative financing solutions and comprehensive capital and consulting advisory services, to help funds build durable organizations across their lifecycle.

Equity derivatives provides a full range of equity-related and cross-asset products, including investment options, systematic strategies and financing solutions, as well as sophisticated hedging and risk management expertise and comprehensive execution capabilities to private banking clients, financial institutions, hedge funds, asset managers and corporations.

Convertibles: The convertibles team provides secondary trading and market making of convertible bonds as well as pricing and distribution of Credit Suisse-originated convertible issuances.

Fixed income

Global credit products is a leading, client-focused and accomplished credit franchise, providing expert coverage in credit trading, sales, financing and capital markets. Our strong history of credentials and long-standing record in leveraged finance reflect our unique ability to provide value-added products and solutions to both issuer and investor clients. Our capital markets businesses are responsible for structuring, underwriting and syndicating a full range of products for our issuer clients, including investment grade and leveraged loans, investment grade and high yield bonds and unit transactions. We are also a leading provider of committed acquisition financing, including leveraged loan, bridge finance and mezzanine finance and collateralized loan obligation formation. In sales and trading, we are a leading market maker in private and public debt across the credit spectrum, including leveraged loans as well as high yield and investment grade cash. We are also a market maker in the credit derivatives market, including the credit default swap index (CDX) suite, liquid single-name credit default swaps (CDS), sovereign CDS, credit default swaptions and iBoxx total return swaps. We offer clients a comprehensive range of financing options for credit products including, but not limited to, repurchase agreements, short covering, total return swaps and portfolio lending.

Securitized products is a market leading franchise providing asset based liquidity and financing solutions and products to institutional and wealth management clients. We have experience in a broad range of asset categories including consumer, commercial, residential, commercial real estate, transportation and alternatives. Our finance business focuses on providing asset and portfolio advisory services and financing solutions (warehouse, bridge and acquisition) and originates, structures and executes capital markets transactions for our clients. Our trading platform provides market liquidity across a broad range of loans and securities, including residential mortgage-backed securities (RMBS), asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS). CMBS and RMBS include government- and agency-backed as well as private-label loans. We have a seasoned and dedicated securitized product sales force that distributes our primary and secondary product offerings to our client base. We also offer residential mortgage servicing capabilities through our mortgage servicer Select Portfolio Services.

Macro products includes our global foreign exchange and rates businesses and investment grade capital markets team in Switzerland. Our rates business offers market-making capabilities in US cash and derivatives, European cleared swaps and select bilateral and structured solutions. Our investor products business manufactures credit rates, foreign exchange and commodity based structured products for institutional and private banking clients. In addition, our investor products business includes our benchmark and proprietary commodity index business.

Emerging markets, financing and structured credit includes a range of financing products including cash flow lending, share-backed lending and secured financing transactions and onshore trading in Brazil, Mexico and Russia. In addition, we offer financing solutions and tailored investment products for Latin American, Central and Eastern European, Middle Eastern and African financial institutions and corporate and sovereign clients.

Other

Other products and activities include lending and certain real estate investments. Lending includes senior bank debt in the form of syndicated loans and commitments to extend credit to investment grade and non-investment grade borrowers.

Research and HOLT

Our equity and fixed income businesses are enhanced by the research and HOLT functions. HOLT offers a framework for objectively assessing the performance of over 20,000 companies worldwide, with interactive tools and consulting services that clients use to make informed investment decisions.

Equity and fixed income research uses in-depth analytical frameworks, proprietary methodologies and data sources to analyze approximately 3,000 companies worldwide and provide macroeconomic insights into this constantly changing environment.

Divisions

Swiss Universal Bank

Business profile

Within Swiss Universal Bank, we offer comprehensive advice and a broad range of financial solutions to private, corporate and institutional clients primarily domiciled in Switzerland. We serve our clients through the following four dedicated business areas in order to cater to our Swiss client base: Private & Wealth Management Clients and Premium Clients within the Private Clients business, and Corporate & Investment Banking as well as Institutional Clients within the Corporate & Institutional Clients business.

Our **Private Clients** business has a leading client franchise in Switzerland, serving approximately 1.5 million clients, including UHNWI, high-net-worth individual (HNWI), affluent and retail clients. Our service offering is based on our structured advisory process, distinct client-segment-specific value propositions and coverage models as well as the access to a broad range of comprehensive products and services. Our network includes 1,260 relationship managers in 148 branches, including 26 branches of the Bank's affiliate, Neue Aargauer Bank. Additionally, our consumer finance business BANK-now has 20 branches. Also, we offer our clients the world's leading credit card brands through Swisscard AECS GmbH, an equity method investment jointly owned with American Express.

Our **Corporate & Institutional Clients** business offers expert advice and high-quality services to a wide range of clients, serving the needs of over 100,000 corporations and institutions, including large corporate clients, small and medium-size enterprises, institutional clients, external asset managers, financial institutions and commodity traders. This business also includes our Swiss investment banking business, serving corporate clients and financial institutions in connection with financing transactions in debt and equity capital markets and advising on M&A transactions. Our business includes 520 relationship managers who serve our clients out of 42 locations.

Key data – Swiss Universal Bank

			in / end of
	2018	2017	2016
Key data			
Net revenues (CHF million)	5,564	5,396	5,759
Income before taxes (CHF million)	2,125	1,765	2,025
Assets under management (CHF billion)			
– Private Clients	198.0	208.3	192.2
– Corporate & Institutional Clients	348.7	354.7	339.3
Number of employees	11,950	12,600	13,140

Business environment

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

The corporate and institutional clients business continues to offer attractive opportunities, supported by the expected steady growth of the Swiss economy. We are a leading provider of banking services to corporate and institutional clients in Switzerland, utilizing our market-leading investment banking capabilities in Switzerland for local execution while leveraging Investment Banking & Capital Markets' international reach and Global Markets' placing power.

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

Business strategy

Switzerland, our home market, has always been and is expected to remain a key market for our Group and is core to our overall strategy. Within Swiss Universal Bank, we combine all the strengths and critical mass of our Swiss retail,

wealth management, corporate, institutional and investment banking activities. The division is well-positioned to meet the needs of our clients, both individual and corporate, with a broad suite of customized products and services.
In order to further cement our standing as a leading Swiss bank, we continue to focus on the following four key priorities:
Bank for Switzerland
We are committed to our Swiss home market and to all our clients in Switzerland – we are a universal bank that serves private, corporate and institutional client segments. We intend to expand our market share and continue to be a responsible partner in Swiss society.
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The reduction of management hierarchies and increased scope of control at local market levels, introduced in 2017, were fully realized in 2018. Those measures resulted in more efficient priority-setting and faster decision-making in those markets leading to increased client satisfaction. As a consequence of changing client needs, we opened our first digital advisory branch in Switzerland. Our digital advisory branch format is designed to work without the classic teller function, but with innovative elements such as a digital bar and a lounge area. We continue to see potential in developing the HNWI and the UHNWI business, which are both wealth market segments that are growing significantly and remain highly attractive. Our holistic offering and the collaboration across the division and across the bank are the bases for our efforts to capture further growth in both market segments. Our efforts and commitment to Switzerland have been recognized by Euromoney (Best Bank in Switzerland 2018) and The Banker (Bank of the Year 2018 Switzerland).

Bank for Entrepreneurs

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

We strengthened our focus on being recognized as the "Bank for Entrepreneurs" by launching joint client coverage for private and corporate clients in 2015. In this context, we increased the number of Entrepreneurs & Executives relationship managers and now cover the Swiss market with 15 locations. Our broad range of expertise and capabilities enabled us to execute a large number of investment banking transactions in 2018 and we were again recognized as the number one investment bank in Switzerland.

Bank for the Digital World

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

During 2018, various digital solutions for private, corporate and institutional clients as well as relationship managers were launched. We enhanced our self-service capabilities including through the introduction of digital client onboarding for corporate clients, which allows those clients to identify themselves and open an account through a computer or mobile device. This offering complements the similar online opening capabilities we launched for private clients in 2017. In 2018 we managed to further improve the productivity of client-facing employees and completed our front-to-back digitalization program, which digitalized approximately 200 processes. The whole program helped us increase our efficiency by reducing manual processes and physical paper forms. Furthermore, we have improved client satisfaction through a significant reduction of transaction processing times.

Bank for the Next Generation

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

We successfully launched Viva Kids in 2017, a new offering dedicated to our youngest clients. With over 25,000 clients enrolled since its inception, we have exceeded our ambitious expectations. Viva Kids is designed to help parents in the financial education of their children and we believe it will be an important contributor for our future client base.

Awards and market share momentum

Credit Suisse was highly placed in a number of key industry awards in 2018, including:

- Best Bank in Switzerland – *Euromoney Awards for Excellence 2018*
- Best Bank for Wealth Management in Western Europe – *Euromoney Awards for Excellence 2018*
- Best Investment Bank in Switzerland – *Euromoney Awards for Excellence 2018*
- Bank of the Year in Switzerland – *The Banker*
- Best Trade Finance Bank in Switzerland – *Global Finance*

International Wealth Management

Business profile

In International Wealth Management, we cater to the needs of our private, corporate and institutional clients by offering expert advice and a broad range of financial solutions.

Our **Private Banking** business provides comprehensive advisory services and tailored investment and financing solutions to wealthy private clients and external asset managers in Europe, the Middle East, Africa and Latin America. We serve our clients through 1,110 relationship managers in 43 cities in 25 countries, utilizing comprehensive access to the broad spectrum of Credit Suisse's global resources and capabilities as well as a wide range of proprietary and third-party products and services.

Our **Asset Management** business offers investment solutions and services globally to a broad range of clients, including pension funds, governments, foundations and endowments, corporations and individuals, along with our private banking businesses. Our asset management capabilities span across a diversified range of asset classes, with a focus on traditional and alternative strategies.

Key data – International Wealth Management

			in / end of
	2018	2017	2016
Key data			
Net revenues (CHF million)	5,414	5,111	4,698
Income before taxes (CHF million)	1,705	1,351	1,121
Assets under management (CHF billion)			
– Private Banking	357.5	366.9	323.2
– Asset Management	388.7	385.6	321.6
Number of employees	10,210	10,250	10,300

Business environment

The private banking industry continues to benefit from attractive growth prospects in the European and emerging markets covered by International Wealth Management, where private banking assets are expected to grow by approximately 5% annually through 2022. Regionally, private banking assets are expected to grow by approximately 7% in Russia and Central & Eastern Europe, by approximately 8% in the Middle East & Africa and by approximately 6% in Latin America. This growth is expected to be fueled by an increase in population, entrepreneurial wealth creation and technological advancements. Although wealth is expected to grow at a slower pace in Europe (by approximately 3% annually), this region continues to be of crucial importance, holding around 20% of the world's wealth. In addition, it is expected that demographic developments relating to an aging population, such as funding pressure in the public pension systems and a transfer of wealth to the next generation, will present important opportunities in the European private banking markets.

The asset management industry continues to evolve and grow with positive support from increasing global wealth. At the same time, managers face a number of challenges, including regulatory complexities and revenue and margin compression. The continued rise of passive and low-fee products reflects ongoing fee sensitivity from investors and although fees for alternative strategies have been more resilient, market pressure has led to a need for more innovative products. In this environment, managers must demonstrate differentiating capabilities including not only strong investment performance, but also other value-add capabilities such as risk management and controls, compliance, client reporting, and data security.

For most of 2018 the wealth and asset management industry faced continued uncertainties, in particular in relation to monetary policy tightening and political uncertainties around the anticipated withdrawal of the UK from the European Union. In addition, investors were confronted with a number of unexpected challenges as the US took a more conservative stance on trade relationships and the market generally experienced high volatility as well as increasingly challenging conditions towards the end of the year. While facing structural pressure from industry-specific regulatory changes, the sector saw the continued pursuit of new opportunities and efficiencies arising from digital technology advancements and front-to-back process improvements.

Business strategy

Our private banking and asset management businesses are among the industry's leaders by size and reputation in our target markets and regions. International Wealth Management continues to contribute significantly to Credit Suisse's strategic and financial ambitions. The following three strategic priorities guide our decisions:

Deliver client value

We focus on deploying solutions and products that are tailored to our clients' needs, holistically advising them on their assets and liabilities. We are leveraging our investment strategy and research capabilities, including the Credit Suisse House View, as part of our approach to further optimize the risk/return profiles of our clients' investment portfolios. Our Asset Management business continues to strengthen its partnership with our wealth management businesses to provide customized products and solutions to our clients. We are addressing our clients' sophisticated financing needs by broadening our lending services and leveraging additional resources.

Enhance client proximity

Our focus on enhancing client proximity is intended to capture market share, which we are facilitating by hiring predominantly experienced relationship managers. In addition, we are strengthening and adapting our footprint with technology investments in our key hubs, while selectively investing in onshore locations in markets with attractive growth prospects. To facilitate collaboration and improve the breadth and depth of solutions offered to our targeted strategic UHNWI and entrepreneur clients, we operate a strategic clients business, consisting of senior coverage officers, who are fully embedded in our client coverage organization and highly connected across the Group. Our efforts to enhance client proximity are supported by a regionally empowered business model that aids the acceleration of decision-making and empowers local market management to steer their respective businesses.

Increase client time

We are capturing growth in the lower wealth band client segment by developing a digitally-enabled service model and providing focused coverage and a targeted offering on a multi-channel service platform. We are making additional organizational changes aimed at simplifying structures and are making important investments in the redesign of certain processes, technology and automation efforts aimed at shortening the time-to-market of products and solutions and reducing our relationship managers' administrative tasks, so that they can spend more time with our clients. Finally, we continue to actively manage risk and focus on ensuring compliant business conduct.

Awards and market share momentum

Credit Suisse received a number of key industry awards in 2018, including:

- Best Bank for Wealth Management in Western Europe – *Euromoney Awards for Excellence 2018*
- Best Bank for Wealth Management in Central & Eastern Europe – *Euromoney Awards for Excellence 2018*
- Best Bank for Wealth Management in the Middle East – *Euromoney Awards for Excellence 2018*
- Best Bank for Wealth Management in Latin America – *Euromoney Awards for Excellence 2018*
- Best Private Bank in Russia (sixth consecutive year) and Best Private Bank in the Middle East – Global Private Banking Awards 2018 – *PWM / The Banker*
- Outstanding Private Bank in Eastern Europe and in Western Europe – *Private Banker International Europe 2018*
- Best Private Bank in the Middle East and Best Private Bank Globally for Family Office Services – *Euromoney Private Banking Survey 2019*
- Collateralized Loan Obligation (CLO) Manager of the Year – *Creditflux Manager Awards*
- Best Asset Management Services in Latin America – *Euromoney*

Asia Pacific

Business profile

In the Asia Pacific division, we manage an integrated business to deliver a broad range of advisory services and solutions that meet the private wealth and business needs of our clients. We report our financial performance along two businesses: Wealth Management & Connected, which reflects our activities in private banking, underwriting and advisory and financing; and Markets, which represents our equities and fixed income sales and trading businesses as well as activities that support our wealth management strategy.

Within **Wealth Management & Connected**, we focus on an advisory-led model to deliver holistic solutions to our clients, which primarily include UHNWI, entrepreneurs and corporate clients. Our Private Banking business offers a comprehensive suite of wealth management financial products and solutions. Our underwriting and advisory business provides advisory services related to debt and equity underwriting of public offerings and private placements as well as mergers and acquisitions. Our financing business provides tailored lending solutions. We collaborate closely with our Markets business and with the Group's other businesses to deliver the full breadth of Credit Suisse capabilities to our clients.

Within **Markets**, our equities and fixed income franchises provide a broad range of services, including sales and trading, prime brokerage and investment research to our clients, which include entrepreneurs, corporations, institutional investors, financial institutions and sovereigns. The business collaborates closely with Global Markets to meet the needs of global institutional clients and with the Group's wealth management businesses.

Key data – Asia Pacific

			in / end of
	2018	2017	2016

Key data			
Net revenues (CHF million)	3,393	3,504	3,597
Income before taxes (CHF million)	664	729	725
Assets under management (CHF billion)			
– Private Banking	201.7	196.8	166.9
Number of employees	7,440	7,230	6,980

Business environment

The fundamentals underpinning long-term, entrepreneur-led wealth creation and growth in business activities for the Asia Pacific region continue to remain positive. According to Credit Suisse Research Institute's Global Wealth Report 2018, in the 12 months to mid-2018, Asia Pacific represented the largest wealth region, with China having the second largest household wealth behind the US. An increase in wealth held by UHNWIs and HNWIs is expected to result in larger capital pools for investment and enhanced opportunities for entrepreneur-led activity, notwithstanding short-term market cyclicality and pressures.

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Despite positive long term dynamics, the banking environment in Asia Pacific grew increasingly challenging during the course of 2018 as trade tensions and geopolitical developments led to higher market volatility, generally cautious investor sentiment and lower risk appetite. As a result, asset prices and client transaction activities contracted, particularly in the second half of the year.

Business strategy

Our business strategy remains steadfast despite short term market cyclicality and pressures and is centered on the growth of wealth and financial markets in Asia, as well as on our ambition to be "The Bank for Entrepreneurs in Asia Pacific". Our divisional model and integrated delivery are key differentiators that support our client-centric strategy. Our consistent focus on maintaining a diversified footprint and leading market positions has been critical to meet our clients' needs, attract strong talent and foster a partnership culture that can deliver attractive returns and growth with disciplined risk management.

Despite challenging market conditions during 2018, our business demonstrated resilient performance, supported by strong net new asset generation, higher recurring revenues and a culture of collaboration. Our diversified platform across a mix of clients, countries and products is essential to effectively and sustainably compete in a region as dynamic as Asia Pacific, with its variety of economic, business and client characteristics.

Looking ahead, our strategic focus continues to be on deepening key client relationships, further growing our recurring revenues, maintaining our market leading franchises across Asia Pacific and continuing to enhance our productivity and risk controls.

Significant transactions

We executed a number of significant transactions in 2018, reflecting the diversity and strength of our franchise. Noteworthy transactions include:

In Greater China, we advised CVC Capital Partners on the sale of Linxens to Tsinghua Unigroup Ltd. (financial services) and advised Tsinghua Unigroup Ltd. on bridge financing for its acquisition of Linxens (technology). We also advised on the US IPO of iQiyi, Inc. (online entertainment), a senior unsecured bond offering for S.F. Holding Co., Ltd. (logistics) and convertible bond offerings for China Conch Venture Holdings Limited (energy) and China Evergrande Group (real estate).

In South East Asia, we advised Equis Pte. Ltd. on its sale to Global Infrastructure Partners (energy), Sasseur REIT on its Singapore IPO (real estate), Temasek Holdings Private, Ltd. on a block placement of Celltrion Inc shares (biopharmaceuticals), Digital Telecommunications Infrastructure Fund on a rights offering and primary placement (telecommunications), and United Overseas Bank Limited and Oversea-Chinese Banking Corporation Limited on their respective notes offerings (financial services). We also advised Vinhomes Joint Stock Company on its equity raise, initial equity offering and strategic investment by GIC Private Limited (real estate), Vinfast Trading and Production LLC on a syndicated term loan as well as Export Credit Agency-backed financing (automotive) and Vingroup JSC on a private placement of convertible dividend preference shares to Korea's Hanwha Group (conglomerate).

Elsewhere, in Korea, we advised a consortium including SK hynix Inc. on the acquisition of Toshiba Corporation's memory business (technology) and LG Chem, Ltd. on its dual currency convertible bond offering (chemicals); in Japan, we advised a consortium controlled by The Baupost Group LLC. on its acquisition of shares in Westinghouse Electric Company LLC from Toshiba Corporation (financial services); in India, we advised HDFC Bank Limited on a domestic and US equity offering (financial services) as well as Volcan Investments Limited on a cash offer for Vedanta Resources Plc and associated financing (metals and mining); in Australia, we advised on the sale of Rio Tinto's Australian coal business (mining) and on Beach Energy Limited's acquisition of Lattice Energy Limited (energy).

Awards and market share momentum

We were highly placed in a number of key industry awards in 2018, including:

Best Private Banking Services Overall Asia – *Euromoney Private Banking and Wealth Management Survey 2019*
Best Investment Bank, Asia – *Euromoney*
Derivatives House of the Year, Asia, ex-Japan – *AsiaRisk*
High-Yield Bond House of the Year, Asia Pacific – *IFR Asia*
Structured Equity House of the Year, Asia Pacific – *IFR Asia, IFR Global*
Best Private Bank, UHNW– *Asian Private Banker*

Best Private Bank, Digital Innovation – *Asian Private Banker*

Top three Private Banks by Assets under Management in Asia, ex-China Onshore – *Asian Private Banker*

Top three in Investment Banking Revenues and Share of Wallet in Asia Pacific, ex-Japan and ex-China Onshore – *Dealogic*

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Global Markets

Business profile

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

Key data – Global Markets

			in / end of
	2018	2017	2016
Key data			
Net revenues (CHF million)	4,980	5,551	5,497
Income before taxes (CHF million)	154	450	48
Number of employees	11,350	11,740	11,530

Business environment

In 2018, operating conditions were mixed across our businesses. During the year, we experienced higher volatility compared to low levels in 2017, driven by macroeconomic and geopolitical uncertainties. Market conditions were more favorable in 2018 for equity trading, particularly in equity derivatives, as a return of volatility and higher volumes resulted in increased client activity. Credit market conditions were challenging compared to the prior year, characterized by rising interest rates, significant widening of credit spreads and higher volatility, which led to lower client activity, particularly in our securitized products and credit trading and underwriting businesses. In addition, our leveraged finance and investment grade underwriting businesses declined in 2018, reflecting lower issuance activity.

Business strategy

In 2018, we successfully completed our three-year Credit Suisse Group restructuring, creating a more cost efficient and capital light business with a reduced risk profile. We made consistent progress towards our goals of reducing earnings volatility and providing a differentiated platform to our wealth management and institutional clients. While the revenue environment was challenging during the year, we reduced operating expenses significantly compared to 2017 as a result of our continued cost discipline by eliminating duplication across functions and optimizing our New York and London footprint. As a result, we achieved our end-2018 ambition of less than USD 4.8 billion in operating expenses, on an adjusted basis. As of the end of 2018, we also operated under our thresholds of USD 60 billion in risk-weighted assets and USD 290 billion in leverage exposure.

During the year we rationalized part of our macro and emerging markets businesses, which allowed us to continue to invest in our International Trading Solutions (ITS) and equities platforms, as we pivot towards supporting our wealth management clients. In ITS, we began to see the benefits from our investments in the platform as evidenced by an increase in ITS revenues compared to 2017, reflecting improved collaboration. In addition, we maintained strong positions in our credit businesses, which generate high returns and drive profits for the Global Markets division.

Looking ahead, the division continues to focus on further increasing cross-divisional collaboration to drive revenue growth with our core institutional, corporate and wealth management clients, increasing operating leverage with ongoing cost controls and attracting top talent. In addition, we are investing in key talent across the franchise and will remain focused on defending our leading market positions across equities and fixed income products. With regard to costs, we will continue to focus on productivity cost savings, including increasing efficiencies from consolidating redundant platforms and eliminating duplication across functions. We believe that the combination of increased revenues and greater cost controls have the potential to help us support the overall Group return on tangible equity attributable to shareholders target of 10%-11% by year-end 2019.

Investment Banking & Capital Markets

Business profile

The Investment Banking & Capital Markets division offers a broad range of investment banking products and services which include advisory services related to M&A, divestitures, takeover defense strategies, business restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. We also offer derivative transactions related to these activities. Our clients include leading corporations, financial institutions, financial sponsors, UHNWI and sovereign clients.

We deliver our investment banking capabilities through regional and local teams based in both major developed and emerging market centers. Our integrated business model enables us to deliver high value, customized solutions that leverage the expertise offered across Credit Suisse and that help our clients unlock capital and value in order to achieve their strategic goals.

Key data – Investment Banking & Capital Markets

			in / end of
	2018	2017	2016
Key data			
Net revenues (CHF million)	2,177	2,139	1,972
Income before taxes (CHF million)	344	369	261
Number of employees	3,100	3,190	3,090

Business environment

Operating conditions in 2018 were challenging compared to 2017, characterized by geopolitical and macro-economic uncertainties. Persistent geopolitical tensions surrounding global trade and negotiations related to the withdrawal of the UK from the EU had a considerable impact on financial markets. Capital markets slowed down with volatility fueled by an equity markets correction. The underwriting activity across both equity and debt products declined with the industry-wide fee pool down 11% compared to 2017. In contrast, global M&A activity was strong in 2018 with announced volumes up 19% compared to 2017, driven by mega deals across many sectors.

Business strategy

Our strategy focuses on leveraging our global structuring and execution expertise to develop innovative financing and advisory solutions for our clients. Our divisional strategy is designed to generate sustainable, profitable growth and continue delivering returns in excess of our cost of capital. Our key strategic priorities include: achieving a balanced product mix, optimizing the client coverage model and using our global platform to meet our clients' needs for cross-border expertise in developed and emerging markets.

A key element of our strategy is rebalancing our product mix to generate stronger results in M&A advisory and equity underwriting, while maintaining our leading leveraged finance franchise. We expect that refocusing our efforts on these products will not only allow us to better support our clients' strategic goals, but will also contribute to a revenue mix that is more diversified and less volatile through the market cycle.

We continue to optimize our client strategy in order to deliver efficient and effective client coverage. Our strategic objective is to align, and selectively invest in, our coverage and capital resources with the largest growth opportunities and where our franchise is well-positioned. We have made notable progress in the execution of our targeted plans for investment grade corporates, non-investment grade corporates and financial sponsors.

We will continue to leverage Investment Banking & Capital Markets' global connectivity with our other divisions and its platform to drive opportunities for the Group.

Significant transactions

We executed a number of noteworthy transactions in 2018, reflecting the diversity of our franchise.

In M&A, we advised on a number of transformational transactions announced throughout the year, including Dr Pepper Snapple Group's sale to Keurig Green Mountain, Inc. (consumer), BMC Software, Inc.'s sale to KKR & Co. Inc. (technology software), Dominion Energy, Inc.'s acquisition of SCANA Corporation (power), Pinnacle Foods Inc.'s sale to Conagra Brands, Inc. (consumer), Praxair, Inc.'s divestiture of its European assets to Taiyo Nippon Sanso Corporation (chemicals), UBM plc's sale to Informa PLC (media), SS&C Technologies, Inc.'s acquisition of DST Systems, Inc. (technology services), Meridian Health Plan, Inc.'s sale to WellCare Health Plans, Inc. (healthcare services), Brookfield Business Partners L.P.'s acquisition of Johnson Controls International Plc's power solutions business (industrials) and Encana Corporation's acquisition of Newfield Exploration Company (oil & gas).

In equity capital markets, we executed rights offerings for Bayer AG (life sciences), Banca Piccolo Credito Valtellinese SpA (banks), ARYZTA AG (food & beverage), IPOs for GrafTech International Ltd. (metals/mining), Silver Run Acquisition Corporation II (exploration & production), Grupo Aeroportuario de la Ciudad de México S.A. de C.V. (transportation & logistics), Vista Oil & Gas S.A.B de C.V. (exploration & production), Cactus, Inc. (field equipment & services), Falcon Minerals Corporation (exploration & production), Dufry AG (retail), and follow-ons for SS&C Technologies Holdings, Inc. (technology), International Game Technology (media) and Advance Publications, Inc. (media).

In debt capital markets, we arranged key financings for a diverse set of clients including Bayer AG (life sciences), Campbell Soup Company (food & beverage), DowDuPont Inc. (chemicals), Comcast Corporation (media), Union Pacific Corporation (transportation & logistics), NXP Semiconductors N.V. (semiconductors), AT&T Inc. (telecom), Rabobank Nederland (banks), Atlantia SpA (transportation & logistics), Société Générale Group (banks) and Progressive Corporation (insurance).

Strategic Resolution Unit

Business profile

Beginning in 2019, the Strategic Resolution Unit has ceased to exist as a separate division of the Group. For further information, refer to the Development of the Strategic Resolution Unit section below.

The Strategic Resolution Unit was established to facilitate the effective and rapid wind-down of capital usage and reduce the drag on the Group pre-tax income results through the reduction of costs. The Strategic Resolution Unit included remaining portfolios from former non-strategic units and transfers of additional exposures from the business divisions.

Key data – Strategic Resolution Unit

			in / end of
	2018	2017	2016
Key data			
Net revenues (CHF million)	(708)	(886)	(1,271)
Income/(loss) before taxes (CHF million)	(1,381)	(2,135)	(5,759)
Number of employees	1,320	1,530	1,830

Composition

Our Strategic Resolution Unit contained specific wind-down activities and positions. For reporting purposes, the Strategic Resolution Unit was split into the following categories: restructuring of select onshore businesses which contained the onshore repositioning in select Western European countries and the US; legacy cross-border and small markets businesses which included the repositioning of cross-border businesses; legacy asset management positions which included portfolio divestitures and discontinued operations; legacy investment banking portfolios; and legacy funding costs relating to non-Basel III compliant debt instruments.

Non-controlling interests without significant economic interest were reflected in the Strategic Resolution Unit and included revenues and expenses from the consolidation of certain private equity funds and other entities in which we had non-controlling interests without significant economic interest.

Development of the Strategic Resolution Unit

As part of the Group's strategy announced in the fourth quarter of 2015, we formed the Strategic Resolution Unit to oversee the effective wind-down of businesses and positions that did not fit our strategic direction in the most efficient manner possible. At that time the Strategic Resolution Unit was created to facilitate the immediate right-sizing of our business divisions from a capital perspective and included remaining portfolios from our former non-strategic units plus additional transfers from the business divisions. The expectation at that time was that the Strategic Resolution Unit's risk-weighted assets and leverage exposure would be reduced by approximately 80% by 2020, excluding operational risk. In March 2016 we updated our expectation of the timing of the 80% reduction of the division's risk-weighted assets and leverage exposure to year-end 2019, excluding operational risk. In the first quarter of 2017, we announced an acceleration of the release of capital from the Strategic Resolution Unit and a plan to complete the wind-down of the division by the end of 2018.

At our Investor Day in 2017 we announced that we estimated adjusted operating expenses in the Strategic Resolution Unit would amount to approximately USD 500 million and USD 250 million in 2018 and 2019, respectively. We further announced our adjusted pre-tax loss targets of approximately USD 1,400 million and USD 500 million in 2018 and 2019, respectively. The allocation of costs to the Strategic Resolution Unit was conducted pursuant to a Group-wide allocation methodology, i.e., the Strategic Resolution Unit was subject to the same cost allocation methodology as the strategic divisions; however reductions in service usage during the course of the wind-down of the division reduced allocated costs. We targeted a reduction of the Strategic Resolution Unit's risk-weighted assets (excluding operational risk) to USD 11 billion and leverage exposure to USD 40 billion by year-end 2018.

As of the end of 2018, risk-weighted assets (excluding operational risk) in the Strategic Resolution Unit had been reduced to USD 7 billion and leverage exposure had been reduced to USD 30 billion. Reported pre-tax loss had been reduced to CHF 1,381 million and adjusted pre-tax loss had been reduced to CHF 1,240 million as of the end of 2018.

> Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

Beginning in 2019, the Strategic Resolution Unit has ceased to exist as a separate division of the Group. The residual portfolio remaining as of December 31, 2018 is now managed in an Asset Resolution Unit and will be separately disclosed within the Corporate Center. Certain activities such as legacy funding costs and noncontrolling interests without significant economic interest, which were previously part of the Strategic Resolution Unit, have been moved into the Corporate Center and will not be reflected in the Asset Resolution Unit. At our Investor Day in 2018 we confirmed our estimate that the Asset Resolution Unit would have an adjusted pre-tax loss of approximately USD 500 million in 2019.

> Refer to “Financial goals” in Strategy – Credit Suisse strategy for further information on the reconciliation of our estimates and targets to the nearest GAAP measures.

On occasion, the reduction of exposures in the Strategic Resolution Unit involved the maturation of lending facilities or other transactions that wholly or partially may have been renewed or extended by our strategic business divisions, such as Global Markets or International Wealth Management. Similarly, there may have been occasions where strategic business divisions would enter into new transactions with counterparties resulting in exposures that may have had similar characteristics to those recorded in the Strategic Resolution Unit. This was aligned with the Group’s risk appetite and that of the relevant strategic divisions.

In 2017, we amended and enhanced our risk appetite framework in an effort to provide additional governance and controls to ensure all new business activities are scrutinized to distinguish between those types of business exposures held in the Strategic Resolution Unit that will be allowed for execution in our strategic divisions and those that will be prohibited or for which we have limited risk appetite.

In the first quarter of 2018, after a business reassessment, the Executive Board and the Audit Committee approved the transfer of twelve counterparty relationships and associated financing transactions from the Strategic Resolution Unit to the Global Markets and Investment Banking & Capital Markets divisions. The execution of these transfers occurred in the first quarter of 2018. The impact of these transfers on risk-weighted assets and leverage exposure for the Strategic Resolution Unit was a decline of approximately USD 0.8 billion and USD 1.3 billion, respectively. Risk-weighted assets of USD 0.7 billion and leverage exposure of USD 1.2 billion were transferred to Global Markets and risk-weighted assets of USD 0.1 billion and leverage exposure of USD 0.1 billion were transferred to Investment Banking & Capital Markets.

A reassessment in the first quarter of 2018 of certain assets under management and assets under custody recorded in the Strategic Resolution Unit resulted in a change in the estimate of the expected outflows in connection with the tax regularization of client assets. The estimate of the expected outflows declined by approximately CHF 1.9 billion for assets under management, and CHF 1.1 billion, CHF 0.6 billion and CHF 0.2 billion of such assets under management were transferred to Asia Pacific, International Wealth Management and Swiss Universal Bank, respectively. In addition, CHF 0.6 billion of assets under custody were transferred to International Wealth Management. The transfers were in line with the original transfer of such assets to the Strategic Resolution Unit and as such were reflected as a structural effect in our asset under management disclosures, with no impact to net new assets.

In the second quarter of 2018, after a business reassessment in connection with our planning relating to the withdrawal of the UK from the EU, the Audit Committee approved the transfer of assets and liabilities relating to Credit Suisse (Deutschland) Aktiengesellschaft from the Strategic Resolution Unit to the Investment Banking & Capital Markets division. The execution of this transfer occurred in the second quarter of 2018. The impact of the transfer on risk-weighted assets for the Strategic Resolution Unit was a decline of approximately USD 0.2 billion.

In the fourth quarter of 2018, a reassessment of certain assets under management and assets under custody recorded in the Strategic Resolution Unit resulted in a change in the estimate of the expected outflows in connection with the tax regularization of client assets. The estimate of the expected outflows declined by approximately CHF 1.9 billion for assets under management, and CHF 1.5 billion and CHF 0.4 billion of such assets under management were transferred to International Wealth Management and Swiss Universal Bank, respectively. The transfers were in line with the original transfer of such assets to the Strategic Resolution Unit and as such were reflected as a structural effect in our asset under management disclosures, with no impact to net new assets. Additionally, the impact of these transfers on leverage exposure for the Strategic Resolution Unit was a decline of approximately USD 0.1 billion, transferred to International Wealth Management. In addition, after a business reassessment, the Audit Committee approved a transfer of 11 third-party fund interests from the Strategic Resolution Unit to International Wealth Management.

> Refer to “Update to the risk appetite framework” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk appetite framework for further information.

Regulation and supervision

Overview

Our operations are regulated by authorities in each of the jurisdictions in which we have offices, branches and subsidiaries.

Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. There is coordination among many of our regulators, in particular among our primary regulators in Switzerland, the US, the EU and the UK as well as in the Asia Pacific region.

The supervisory and regulatory regimes of the countries in which we operate determine to some degree our ability to expand into new markets, the services and products that we are able to offer in those markets and how we structure specific operations.

Governments and regulatory authorities around the world have responded to the challenging market conditions beginning in 2007 by proposing and enacting numerous reforms of the regulatory framework for financial services firms such as the Group. In particular, a number of reforms have been proposed and enacted by regulators, including our primary regulators, which could potentially have a material effect on our business. These regulatory developments could result in additional costs or limit or restrict the way we conduct our business. Although we expect regulatory-related costs and capital requirements for all major financial services firms (including the Group) to continue to be high, we cannot predict the likely impact of proposed regulations on our businesses or results. We believe, however, that overall we are well positioned for regulatory reform, as we have reduced risk and maintained strong capital, funding and liquidity.

> Refer to “Risk factors” for further information on risks that may arise relating to regulation.

Recent regulatory developments and proposals

Some of the most significant regulations proposed or enacted during 2018 and early 2019 are discussed below.

Global initiatives

Certain regulatory developments and standards are being coordinated on a global basis and implemented under local law, such as those discussed below.

Total Loss-Absorbing Capacity

On June 13, 2018, the Bank of England published its final statement of policy on its approach to setting minimum requirements for own funds and eligible liabilities (MREL), including its approach on setting internal MREL. Under the statement of policy, internal MREL requirements for UK material subsidiaries of non-UK global systemically important banks (G-SIBs), such as Credit Suisse, will be scaled between 75% and 90% of external MREL based on factors including the resolution strategy of the group and the home country’s approach to internal total loss-absorbing capacity calibration. Interim internal MREL requirements came into effect beginning January 1, 2019, and their full implementation will be phased in through January 1, 2022.

ISDA Resolution Stay Protocols

On July 31, 2018, the International Swaps and Derivatives Association, Inc. (ISDA) published an ISDA 2018 US Resolution Stay Protocol (the ISDA US Protocol) to facilitate compliance with the final rules (the QFC Stay Rules) promulgated by the US banking regulators in 2017 requiring, among other things, the US operations of non-US G-SIBs to include provisions in qualified financial contracts (QFCs) that limit the ability of counterparties to exercise “default rights” arising in the context of a resolution of the G-SIB and ensure that actions taken under US resolution regimes are enforceable on a cross-border basis. Credit Suisse’s US operations are subject to the QFC Stay Rules and are in the process of having all of their covered entities adhere to the ISDA US Protocol to amend their QFCs with adhering counterparties to comply with the QFC Stay Rules.

Industry-led developments

In 2017, public and private sector representatives from the foreign exchange committees of 16 international foreign exchange (FX) trading centers agreed to form a Global Foreign Exchange Committee and publish the FX Global Code, which sets out global principles of good practice, including ethics, governance, execution, information sharing, risk management and compliance, and confirmation and settlement processes. Credit Suisse signed the FX Global Code’s Statement of Commitment on a global basis on May 21, 2018 and supports the adoption of the FX Global Code by FX market participants.

Switzerland

Credit Suisse is subject to the Basel III framework, as implemented in Switzerland, as well as Swiss legislation and regulations for systemically important banks, which include capital, liquidity, leverage and large exposure requirements and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, were phased in through year-end 2018.

> Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

Supervision

On June 15, 2018, the Swiss Parliament adopted the Federal Financial Services Act (FFSA) and the Financial Institutions Act (FinIA). The FFSA regulates the provision of financial services in Switzerland, including to Swiss clients from abroad on a cross-border basis, as well as the offering of financial instruments in or into, and the admission to trading of financial instruments in, Switzerland. The FinIA governs the license requirements and provides for a differentiated supervisory regime for portfolio managers, trustees, managers of collective assets, fund management companies and investment firms (so-called financial institutions) as well as for Swiss branches and representative offices of foreign financial institutions. The FinIA introduces prudential supervision of certain categories of asset managers that have previously not been subject to supervision by special supervisory bodies. The FFSA and FinIA are expected to enter into effect on January 1, 2020. The implementing ordinances were published on October 24, 2018 for consultation until February 6, 2019.

On July 18, 2018, FINMA published its revised Anti-Money Laundering Ordinance (AMLO-FINMA). For Swiss financial intermediaries with branches or group companies outside of Switzerland, the revised AMLO-FINMA sets out in detail the requirements for global monitoring of money laundering and terrorist financing risks, in particular legal and reputational risks. The revised AMLO-FINMA also specifies the risk management measures to be put in place if domiciliary companies or complex structures are used or if there are links with high-risk countries. The revised AMLO-FINMA will enter into effect on January 1, 2020.

In September 2018, FINMA announced the conclusion of two enforcement procedures against Credit Suisse AG. The first procedure related to past interactions with the Fédération Internationale de Football Association (FIFA), the Brazilian oil corporation Petróleo Brasileiro S.A. (Petrobras) and the Venezuelan oil corporation Petróleos de Venezuela, S.A. (PDVSA). The second procedure related to a significant business relationship with a politically exposed person. FINMA identified deficiencies in anti-money laundering processes for both of these procedures as well as shortcomings in Credit Suisse AG's control mechanisms and risk management for the second procedure. The Bank has cooperated with FINMA throughout this process and FINMA acknowledged the numerous proactive measures the Bank has adopted since the end of 2015 to strengthen its compliance procedures in general as well as specific efforts to combat money laundering. FINMA recommended additional measures to complement these actions and to accelerate the implementation of the steps already initiated by the Bank and will commission an independent third party to review the implementation and effectiveness of these measures.

Tax

On September 28, 2018, the Tax Proposal 17 or the Federal Act on Tax Reform and AHV Financing (TRAF) was adopted by the Swiss Parliament. The TRAF replaces the Corporate Tax Reform Act III (CTR III), which was rejected in a public vote on February 12, 2017. Like the CTR III, the TRAF provides for an abolishment of the cantonal tax privileges for holding companies, mixed companies and domicile companies. The TRAF includes, among other measures, a patent box that is mandatory for all cantons but narrower than the one contained in CTR III, an optional surplus research and development allowance of 50%, a notional interest deduction and a step-up in basis. Subject to certain exemptions, the TRAF introduces a 50:50% distribution rule according to which withholding tax-free (and for Swiss resident private individuals, income tax-free) distributions out of capital contribution reserves made by companies listed in Switzerland shall only benefit from the tax-free treatment if and to the extent the company distributes a taxable dividend in the same amount (provided that the company has distributable profits and retained earnings). In January 2019, the optional referendum on TRAF was called, and the popular vote is scheduled for May 19, 2019. Unless the TRAF is rejected in the referendum, its main provisions will enter into force on January 1, 2020, with some provisions having entered into force already on January 1, 2019, including the provisions on step-up. In connection with the tax reform, several cantons had announced to cut their statutory corporate income tax rates to approximately 12%, subject to, and simultaneously with, the effectiveness of the reform.

On December 14, 2018, the Swiss Parliament adopted the bill on the Federal Act on Calculation of the Participation Deduction for "Too Big to Fail" Instruments. The bill is subject to an optional referendum, which may be called until April 7, 2019. In March 2019, the Federal Council determined that, if no referendum is called, the act will enter into force retroactively as of January 1, 2019. Current legislation requires systemically relevant banks to issue contingent convertible bonds, write-off bonds and bail-in bonds through their top holding company from January 1, 2020 at the latest. Despite the top holding company on-lending the funds internally to direct or indirect subsidiaries, current corporate income tax laws require the top holding company to allocate interest paid under the contingent convertible bonds, write-off bonds or bail-in bonds to the participation exemption for dividends of the top holding company. This reduces the participation exemption for dividends of the top holding company of systemically relevant banks and may lead to materially higher corporate income taxes for such top holding company. This inadvertent consequence of higher corporate income taxes is inconsistent with the "Too Big to Fail" legislation's objective of strengthening the equity capital of systemically relevant banks. If enacted, the proposed legislation will permit systemically relevant banks to carve out interest paid in respect of such instruments for purposes of calculating tax exempt net participation income and thereby remedy the effect of higher corporate income taxes from higher interest allocations.

US

In July 2010, the US enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which provides a broad framework for regulatory changes. Although rulemaking in respect of many of the provisions of the Dodd-Frank Act has already taken place, implementation will require further rulemaking by different regulators, including the US Department of the Treasury (US Treasury), the Board of Governors of the Federal Reserve System (Fed), the US Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Commodity Futures Trading Commission (CFTC) and the Financial Stability Oversight Council (FSOC), and uncertainty remains about the details of implementation.

Sanctions

As a result of allegations concerning Russian acts related to Ukraine, Syria, cybersecurity and electoral interference, in 2018 the US Treasury's Office of Foreign Assets Control (OFAC) designated a number of Russian government officials, business people and certain related companies as specially designated nationals (SDNs), which blocks their assets and prohibits dealings within US jurisdiction by both the newly designated SDNs and entities owned 50% or more by one or more blocked persons. US law also authorizes the imposition of other restrictions against non-US entities which, among other activities, engage in significant transactions with or provide material support to such sanctioned persons. OFAC issued new general licenses concurrently with the designations to provide a limited time period to wind down pre-existing contracts and divest or withdraw from business relationships with many of the recently sanctioned persons and entities, but these licenses are temporary. Further sanctions related to Russia or additional Russian persons or entities are possible, and the potential effects of related disruptions may include an adverse impact on our businesses.

Since 2017, OFAC has imposed, and in early 2019 continued to expand, sanctions related to Venezuela that, among other restrictions, block the assets of Venezuela's state-owned oil company and certain government officials, prohibit further dealings with them within US jurisdiction and restrict the ability of US persons to purchase new debt of and certain bonds issued by the government of Venezuela, subject to certain exceptions and licenses. Further sanctions related to Venezuela or Venezuelan entities are possible, and the potential effects of related disruptions may include an adverse impact on our businesses.

Supervision

On May 24, 2018, the US President signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). EGRRCPA raises the thresholds at which US enhanced prudential standards promulgated pursuant to the Dodd-Frank Act would apply to large bank holding companies (BHCs) and foreign banking organizations (FBOs) with between USD 50 billion and USD 250 billion in global consolidated assets. Because our global consolidated assets are above USD 250 billion, we do not expect to automatically benefit from the increase in thresholds. EGRRCPA also loosens the restrictions imposed by the so-called "Volcker Rule" on a banking entity sharing a name with a covered fund that it advises, although the name sharing restriction would continue to prevent us from sharing the Credit Suisse name with a covered fund. The Volcker Rule limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds, broadly defined, and to engage in certain types of proprietary trading for their own account.

On June 14, 2018, the Fed issued a final rule establishing single counterparty credit limits (SCCLs) for BHCs with total consolidated assets of USD 250 billion or more, US global systemically important bank holding companies, the US operations of FBOs with global consolidated assets of USD 250 billion or more, and intermediate holding companies (IHCs) with total consolidated assets that equal or exceed USD 50 billion that are subsidiaries of such FBOs. The final rule limits aggregate net credit exposures to any single unaffiliated counterparty based on capital ratios. The final rule includes a regime of substituted compliance with home country rules for the combined US operations of FBOs (including our US IHC and New York Branch) that can certify that the FBO meets, on a consolidated basis, large exposure standards established by their home-country supervisor that are consistent with the large exposures framework established by the Basel Committee on Banking Supervision (BCBS). IHCs, however, including our US IHC, are ineligible for the substituted compliance regime and remain subject to a separate SCCL requirement. Our US IHC will be required to comply by July 1, 2020. If our combined US operations are unable to certify that they can meet the criteria to qualify for the regime of substituted compliance, our combined US operations will be required to comply by January 1, 2020.

Resolution regime

On December 20, 2018, the FDIC and the Fed provided feedback on the July 2018 resolution plans submitted by the four FBOs with large and complex US operations, including us. Our feedback letter did not find any deficiencies in our July 2018 plan and noted meaningful improvements over our July 2015 plan, including reorganizations of our US operations, pre-positioning of total loss-absorbing capacity (TLAC) and liquidity in the US, shared services resiliency and greater operational capabilities. The FDIC and the Fed noted shortcomings in the July 2018 plans of the FBOs, with ours relating to governance mechanisms, liquidity modelling and critical services mapping. A project plan to remediate these shortcomings is due by April 5, 2019. Our next resolution plan is due in July of 2020.

Investment services regulation

On June 21, 2018, the United States Court of Appeals for the Fifth Circuit issued its mandate vacating the US Department of Labor's final rules revising the definition of "fiduciary" for purposes of the US Employee Retirement Income Security Act of 1974, as amended, and US Internal Revenue Code of 1986, as amended, in their entirety. As a result, no revision of our policies, procedures or practices related to the US Department of Labor's vacated rule is necessary.

Tax

On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the US, which revises US corporate income tax law by, among other things, introducing the base erosion and anti-abuse tax (BEAT), effective as of January 1, 2018. It is broadly levied on tax deductions created by certain payments, for example, for interest and services, to affiliated group companies outside the US, in the case where the calculated tax based on a modified taxable income exceeds the amount of ordinary federal corporate income taxes paid. The tax rates applicable for banks are 6% for 2018, 11% for 2019 until 2025 and 13.5% from 2026 onward. On the basis of the current analysis of the BEAT tax regime, following the draft regulations issued by the US Treasury on December 13, 2018, we regard it as more likely than not that the Group will be subject to this regime in 2018. The finalization of

US BEAT regulations is expected to occur in 2019. Prospectively, additional tax regulations of the US tax reform relating to interest deductibility may also impact Credit Suisse.

EU

The EU, the UK and other national European jurisdictions have also proposed and enacted a wide range of prudential, securities and governance regulations to address systemic risk and to further regulate financial institutions, products and markets. These proposals are at various stages of the EU pre-legislative, legislative rule-making and implementation processes, and their final form and cumulative impact remain uncertain.

Investment services regulation

On December 21, 2017, the European Commission decided to recognize the equivalence of the Swiss legal and supervisory framework for trading venues with that of the EU for a temporary period of one year. On December 17, 2018, the European Commission extended the equivalence for six months. The decision allows European securities traders to meet the new Markets in Financial Instruments Regulation (MiFIR) shares trading obligation on Swiss exchanges until June 30, 2019.

Anti-money laundering regulation

On June 19, 2018, the text of the Fifth Money Laundering Directive (MLD5) was published in the Official Journal of the EU. MLD5 entered into force on July 9, 2018 and the laws of the EU member states must comply with the requirements of MLD5 by January 10, 2020. Among other things, MLD5 clarified the requirements for enhanced due diligence measures and countermeasures relating to high-risk third countries and introduced a new obligation for EU member states to establish centralized mechanisms to identify holders and controllers of bank and payment accounts.

Prudential regulation

In November 2016, the European Commission published its legislative proposals for the amendment of the Capital Requirements Regulation (CRR) (through an amending Regulation CRR II), the Capital Requirements Directive IV (CRD IV) (through an amending Directive CRD V) and the EU Bank Recovery and Resolution Directive (BRRD) (through an amending Directive BRRD II). After trialogue negotiations between the EU Commission, Parliament and Council, political agreement on this legislative package was reached in December 2018, and this legislative package is expected to enter into force during the first quarter of 2019. Our EU banks and investment firms will be subject to CRR II, which contains, among other things, proposed reforms to the CRR regarding international prudential standards based on the Basel III standards and provisions relating to, among other things, leverage ratio, market risk, counterparty credit risk and large exposures and implementing the Financial Stability Board's (FSB) TLAC standard. The majority of the CRR II measures will apply beginning in 2021. In addition, Credit Suisse will be expected to comply with the CRD V proposal, which includes a requirement for non-EU groups that are G-SIBs, which have two or more bank or investment firm subsidiaries in the EU, to establish an intermediate parent undertaking in the EU, or two intermediate parent undertakings under certain specific circumstances, by 2023. Similarly, Credit Suisse will be subject to BRRD II, which revises the existing EU regime relating to MREL to align it with the TLAC standard and to introduce, among other things, changes to the contractual recognition of bail-in and a new moratorium power for competent authorities.

Tax

On May 25, 2018, the Council of the European Union adopted an amendment to the Directive on Administrative Cooperation in (direct) taxation in the EU, with respect to mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements, imposing reporting requirements on intermediaries in relation to certain arrangements. The provisions of the amendment (DAC6) must be implemented into each EU member state's domestic law by the end of 2019, and will apply from July 1, 2020. However, once DAC6 applies, the reporting requirements (where triggered) will capture arrangements where the first step was implemented after June 25, 2018.

UK

UK-EU relationship

On June 23, 2016, voters in the UK voted to leave the EU in a non-binding referendum. On March 16, 2017, the European Union (Notification of Withdrawal) Bill was enacted and on March 29, 2017, the UK government submitted the formal notification under Article 50 of the Lisbon Treaty to the European Council of the intention of the UK to withdraw from the EU. In June 2018, the European Union (Withdrawal) Act 2018 (EUWA) was enacted in connection with the withdrawal of the United Kingdom from the EU. The EUWA, among other things, preserves EU-derived UK legislation and incorporates directly applicable EU legislation in UK law, as “retained EU law”, on March 29, 2019, and delegates legislative powers to the UK government to prevent, remedy or mitigate any failure of retained EU law to operate effectively, or any other deficiency in retained EU law arising as a result of the UK’s withdrawal from the EU. A withdrawal agreement was negotiated between the EU and UK and finalized on November 14, 2018, which included an agreement on a standstill transition period until December 31, 2020 to further negotiate the future relationship. During the transition period, the UK would continue to implement new EU law that comes into effect and the UK would continue to be treated as part of the EU’s single market in financial services. The UK Parliament has not yet approved the withdrawal agreement between the EU and the UK, and it appears likely that there will be a delay of the UK’s withdrawal from the EU for a period of time beyond March 29, 2019, although it is still possible that the UK could leave the EU without such an agreement in place. To prepare for withdrawal, HM Treasury is using its powers under the EUWA to remedy deficiencies in retained EU law relating to financial services, through statutory instruments. The statutory instruments are not intended to make policy changes, other than to reflect the UK’s new position outside the EU, and to smooth the transition to this situation. HM

Treasury has also delegated powers to the UK's financial services regulators to address deficiencies in the regulators' rulebooks arising as a result of exit, and to the EU Binding Technical Standards that will become part of retained EU law.

Credit Suisse is working to address the implications of the consequences of these changes and to minimize disruption for our clients. Adverse changes to any of these arrangements, and even uncertainty over potential changes during any period of negotiation, could potentially impact our results in the UK or other markets we serve.

Regulatory framework

The principal regulatory structures that apply to our operations are discussed below.

Global initiatives

Total Loss-Absorbing Capacity

On January 1, 2019, the final FSB TLAC standard for G-SIBs became effective, subject to a phase-in until January 1, 2022. The purpose of the standard is to enhance the ability of regulators to recapitalize a G-SIB at the point of non-viability in a manner that minimizes systemic disruption, preserves critical functions and limits the exposure of public sector funds. TLAC-eligible instruments include instruments that count towards satisfying minimum regulatory capital requirements, as well as long-term unsecured debt instruments that have remaining maturities of no less than one year, are subordinated by statute, corporate structure or contract to certain excluded liabilities, including deposits, are held by unaffiliated third parties and meet certain other requirements. Excluding any applicable regulatory capital buffers that are otherwise required, the minimum TLAC requirement is at least 16% of a G-SIB's RWA as of January 1, 2019, and will increase to at least 18% as of January 1, 2022. In addition, the minimum TLAC requirement must be at least 6% of the Basel III leverage ratio denominator as of January 1, 2019, and at least 6.75% as of January 1, 2022. In Switzerland, effective July 1, 2016, the Swiss Federal Council adopted the revised Capital Adequacy Ordinance implementing the FSB's TLAC standard.

> Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

In the US, the Fed has adopted a final rule that implements the FSB's TLAC standard. The final rule requires, among other things, the US IHCs of non-US G-SIBs, such as Credit Suisse's US IHC, to maintain minimum amounts of "internal" TLAC, a TLAC buffer and long-term debt satisfying certain eligibility criteria, commencing January 1, 2019. The entity designated as Credit Suisse's US IHC is required to issue all TLAC debt instruments to a foreign parent entity (a non-US entity that controls the IHC) or another foreign affiliate that is wholly owned by its foreign parent. The final rules also impose limitations on the types of financial transactions in which the entity designated as Credit Suisse's US IHC can engage.

In the UK, the Bank of England published its statement of policy on its approach to establishing the requirement under the BRRD for certain UK entities, including Credit Suisse International (CSI) and Credit Suisse Securities Europe Limited (CSSEL), to maintain the MREL requirement. Similar to the FSB's TLAC standard, the MREL requirement obliges firms within the scope of the BRRD to maintain a minimum level of own funds and liabilities that can be bailed in. The statement of policy reflects both the TLAC standards and the requirements of the European Banking Authority (EBA)'s Regulatory Technical Standards on MREL. It does not set TLAC requirements in addition to MREL. On June 13, 2018, the Bank of England also published its final statement of policy on its approach to setting MREL, including its approach on setting internal MREL. Under the statement of policy, internal MREL requirements for UK material subsidiaries of non-UK G-SIBs, such as Credit Suisse, will be scaled between 75% and 90% of external MREL based on factors including the resolution strategy of the group and the home country's approach to internal total loss-absorbing capacity calibration. Interim internal MREL requirements came into effect beginning January 1, 2019, and their full implementation will be phased in through January 1, 2022.

ISDA Resolution Stay Protocols

On November 12, 2015, ISDA launched the ISDA 2015 Universal Resolution Stay Protocol (ISDA 2015 Universal Protocol) and Credit Suisse voluntarily adhered to the ISDA 2015 Universal Protocol at the time of its launch. By adhering to the ISDA 2015 Universal Protocol, parties agree to be bound by, or "opt in", to certain existing and forthcoming special resolution regimes to ensure that cross-border derivatives and securities financing transactions are subject to statutory stays on affiliate-linked default and early termination rights in the event a bank counterparty enters into resolution, regardless of its governing law. These stays are intended to facilitate an orderly resolution of a troubled bank. Statutory resolution regimes have been implemented in several jurisdictions, including Switzerland, the US and the EU. These regimes provide resolution authorities with a broad set of tools and powers to resolve a troubled bank, including the ability to temporarily stay, and under certain circumstances permanently override, the termination rights of counterparties of a bank and its affiliates in the event the bank enters into resolution. The ISDA 2015 Universal Protocol introduces similar stays and overrides in the event that an affiliate of an adhering party becomes subject to proceedings under the US Bankruptcy Code, under which no such stays or overrides currently exist. Although other large banking groups have also adhered to the ISDA 2015 Universal Protocol, it is anticipated that buy-side or end-user counterparties of Credit Suisse will not voluntarily give up early termination rights and will therefore not adhere to the ISDA 2015 Universal Protocol. In order to expand the scope of parties and transactions covered by the ISDA 2015 Universal

Protocol or similar contractual arrangements, the G20 committed to introducing regulations requiring large banking groups to include ISDA 2015 Universal Protocol-like provisions in certain financial contracts when facing counterparties under foreign laws. Certain G20 member nations, including the US, introduced such requirements in 2015, 2016 and 2017.

In Switzerland, the Swiss Federal Council introduced amendments to the Ordinance on Banks and Savings Banks (Banking Ordinance) that require banks, including Credit Suisse, to include terms in certain of their contracts (and in certain contracts entered into by their subsidiaries) that are not governed by Swiss law or that provide for jurisdiction outside of Switzerland that ensure that FINMA’s stay powers under the Swiss Federal Act on Banks and Savings Banks of November 8, 1934, as amended (Bank Law), would be enforceable with respect to such contracts. These requirements have been set forth in the Banking Ordinance since January 1, 2016. A partial revision of the Ordinance of FINMA on the Insolvency of Banks and Securities Dealers (FINMA Banking Insolvency Ordinance) entered into effect on April 1, 2017. The rule only affects an exhaustive list of contracts whose continued existence is essential for a bank requiring restructuring. The listed contracts are customary in the financial market and include, in particular, contracts governing the purchase, sale, lending and repurchase of certain underlying securities. Contracts entered into by foreign group entities are only subject to the rule if, among other things, the respective financial contract is guaranteed or otherwise secured by a bank or securities dealer domiciled in Switzerland. Certain contracts, e.g. contracts with individuals as well as for the placement of financial instruments in the market, are excluded. The list of contracts is internationally harmonized and broadly in line with the definition of financial contracts in accordance with the BRRD.

In the UK, the Prudential Regulation Authority (PRA) published final rules in November 2015 requiring UK entities, including CSI and CSSEL, to ensure that their counterparties under a broad range of financial arrangements are subject to the stays on early termination rights under the UK Banking Act that would be applicable upon their resolution. UK entities have been required to comply with these rules from June 1, 2016 for contracts where the counterparty is a credit institution or an investment firm, and from January 1, 2017 in respect of contracts with all other counterparties.

ISDA has developed another protocol, the ISDA Resolution Stay Jurisdictional Modular Protocol to facilitate market-wide compliance with these new requirements by both dealers, such as Credit Suisse, and their counterparties.

In the US, in 2017, the Fed, the FDIC and the OCC each issued final rules designed to improve the resolvability of US headquartered G-SIBs and the US operations of non-US G-SIBs, such as our US operations. These final rules require covered entities to modify their QFCs to obtain agreement of counterparties that (1) their QFCs are subject to the stays on early termination rights under the Orderly Liquidation Authority and the Federal Deposit Insurance Act, which is similar to requirements introduced in other jurisdictions to which we are already subject, and (2) certain affiliate-linked default rights would be limited or overridden if an affiliate of the G-SIB entered proceedings under the US Bankruptcy Code or other insolvency or resolution regimes. Covered QFCs must be conformed to the rules’ requirements starting January 1, 2019, with full compliance by January 1, 2020. ISDA has developed the ISDA US Protocol to facilitate compliance with the final rules. Credit Suisse’s US operations are in the process of having all of their covered entities adhere to the ISDA US Protocol to amend their QFCs with adhering counterparties to comply with the final rules.

Switzerland

Banking regulation and supervision

Although Credit Suisse Group is not a bank according to the Bank Law and the Banking Ordinance, the Group is required, pursuant to the provisions on consolidated supervision of financial groups and conglomerates of the Bank Law, to comply with certain requirements for banks. Such requirements include capital adequacy, loss-absorbing capacity, solvency and risk concentration on a consolidated basis, and certain reporting obligations. Our banks in Switzerland are regulated by FINMA on a legal entity basis and, if applicable, on a consolidated basis.

Our banks in Switzerland operate under banking licenses granted by FINMA pursuant to the Bank Law and the Banking Ordinance. In addition, certain of these banks hold securities dealer licenses granted by FINMA pursuant to the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA).

FINMA is the sole bank supervisory authority in Switzerland and is independent from the Swiss National Bank (SNB). Under the Bank Law, FINMA is responsible for the supervision of the Swiss banking system. The SNB is responsible for implementing the government’s monetary policy relating to banks and securities dealers and for ensuring the stability of the financial system. Under the ”Too Big to Fail” legislation, the SNB is also responsible for determining which banks in Switzerland are systemically relevant banks and which functions are systemically relevant in Switzerland. The SNB has identified the Group on a consolidated basis as a systemically relevant bank for the purposes of Swiss law.

Our banks in Switzerland are subject to close and continuous prudential supervision and direct audits by FINMA. Under the Bank Law, our banks are subject to inspection and supervision by an independent auditing firm recognized by FINMA, which is appointed by the bank’s shareholder meeting and required to perform annual audits of the bank’s financial statements and to assess whether the bank is in compliance with laws and regulations, including the Bank Law, the Banking Ordinance and FINMA regulations.

Credit Suisse is subject to the Basel III framework, as implemented in Switzerland, as well as Swiss legislation and regulations for

systemically important banks, which include capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency.
Our regulatory capital is calculated on the basis of accounting principles generally accepted in the US, with certain adjustments required by, or agreed with, FINMA.
> Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.
Under Swiss banking law, banks and securities dealers are required to manage risk concentration within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's adjusted eligible capital (for systemically relevant banks like us, to their core tier 1 capital) taking into account counterparty risks and risk mitigation instruments.
Under the Bank Law and SESTA, Swiss banks and securities dealers are obligated to keep confidential the existence and all aspects of their relationships with customers. These customer confidentiality laws do not, however, provide protection with respect to criminal offenses such as insider trading, money laundering, terrorist financing activities, tax fraud or evasion or prevent the disclosure of information to courts and administrative authorities.
Swiss rules and regulations to combat money laundering and terrorist financing are comprehensive and require banks and other financial intermediaries to thoroughly verify and document customer identity before commencing business. In addition, these rules and regulations include obligations to maintain appropriate policies for dealings with politically exposed persons and procedures and controls to detect and prevent money laundering and terrorist financing activities, including reporting suspicious activities to authorities.
In addition, Switzerland has stringent anti-corruption and anti-bribery laws related to Swiss and foreign public officials as well as persons in the private sector.
Compensation design and its implementation and disclosure have been required to comply with standards promulgated by FINMA under its Circular on Remuneration Schemes, as updated from time to time.

Securities dealer and asset management regulation and supervision

Our securities dealer activities in Switzerland are conducted primarily through the Bank and are subject to regulation under SESTA, which regulates all aspects of the securities dealer business in Switzerland, including regulatory capital, risk concentration, sales and trading practices, record-keeping requirements and procedures and periodic reporting procedures. Securities dealers are supervised by FINMA. On June 15, 2018, the Swiss Parliament adopted the FinIA, which is expected to govern all aspects of the securities dealer business in Switzerland instead of the SESTA, beginning January 1, 2020.
Our asset management activities in Switzerland, which include the establishment and administration of mutual funds registered for public distribution, are conducted under the supervision of FINMA. Effective January 1, 2020, our activities as asset manager of collective assets will also be governed by the FinIA.

Resolution regime

The FINMA Banking Insolvency Ordinance governs resolution (i.e., restructuring or liquidation) procedures of Swiss banks and securities dealers, such as Credit Suisse AG and Credit Suisse (Schweiz) AG, and of Swiss-domiciled parent companies of financial groups, such as Credit Suisse Group AG, and certain other unregulated Swiss-domiciled companies belonging to financial groups. Instead of prescribing a particular resolution concept, the FINMA Banking Insolvency Ordinance provides FINMA with a significant amount of authority and discretion in the case of resolution, as well as various restructuring tools from which FINMA may choose.
FINMA may open resolution proceedings if there is an impending insolvency because there is justified concern that the relevant Swiss bank (or Swiss-domiciled parent companies of financial groups and certain other unregulated Swiss-domiciled companies belonging to financial groups) is over-indebted, has serious liquidity problems or no longer fulfills capital adequacy requirements. Resolution proceedings may only take the form of restructuring (rather than liquidation) proceedings if (i) the recovery of, or the continued provision of individual banking services by, the relevant bank appears likely and (ii) the creditors of the relevant bank are likely better off in restructuring proceedings than in liquidation proceedings. All realizable assets in the relevant entity's possession will be subject to such proceedings, regardless of where they are located.
If FINMA were to open restructuring proceedings with respect to Credit Suisse AG, Credit Suisse (Schweiz) AG or Credit Suisse Group AG, it would have discretion to take decisive actions, including (i) transferring the assets of the

banks or Credit Suisse Group AG, as applicable, or a portion thereof, together with its debt and other liabilities, or a portion thereof, and contracts, to another entity, (ii) staying (for a maximum of two working days) the termination of, and the exercise of rights to terminate netting rights, rights to enforce or dispose of certain types of collateral or rights to transfer claims, liabilities or certain collateral, under contracts to which the banks or Credit Suisse Group AG, as applicable, is a party, (iii) converting the debt of the banks or Credit Suisse Group AG, as applicable, into equity (debt-to-equity swap), and/or (iv) partially or fully writing off the obligations of the banks or Credit Suisse Group AG, as applicable (haircut).

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

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

Supervision

The Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading (also known as "FMIA") governs the organization and operation of financial market infrastructures and the conduct of financial market participants in securities and derivatives trading. FMIA, along with the Financial Market Infrastructure Ordinance (also known as "FMIO") came into effect on January 1, 2016. However, financial market infrastructures and the operators of organized trading facilities were granted different transitional periods to comply with various new duties, including those associated with the publication of pre- and post-trade transparency information and with high-frequency trading. Under the FMIA, FINMA was designated to determine the timing of the introduction of a clearing obligation and to specify the categories of derivatives covered. Accordingly, on September 1, 2018, the revised Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIO-FINMA) entered into force, introducing a mandatory clearing obligation for standardized interest-rate and credit derivatives traded over the counter (OTC) and making effective, as of such date, the deadlines for the first clearing obligations laid down in the FMIO, i.e., six months, twelve months or eighteen months, depending on the categories of derivatives and the type of counterparty.

Tax

Administrative assistance in tax matters

The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) entered into force and became applicable as of January 1, 2018. Under the MAC, Switzerland is required to exchange information in tax matters both spontaneously in certain cases as well as upon request. Furthermore, the revised Federal Act on International Administrative Assistance in Tax Matters and the revised Federal Ordinance on International Administrative Assistance in Tax Matters (OIAA) entered into force, which provide the procedural rules for international administrative assistance on tax matters based on either the MAC or under bilateral double taxation treaties of Switzerland. In exceptional cases, the Swiss legislation permits exchange of information before the taxpayer concerned is informed. Under the MAC (and as clarified in the OIAA), Switzerland commenced for tax periods from January 1, 2018 onwards to automatically exchange information on certain advance tax rulings within the scope of the Organisation for Economic Co-operation and Development (OECD) and the Group of Twenty (G20) project to combat base erosion and profit shifting (BEPS).

On June 10, 2016, the Swiss Federal Council submitted to the Swiss Parliament an amendment of the Federal Act on International Administrative Assistance in Tax Matters for adoption to also allow administrative assistance for requests based on stolen data, however, only if the stolen data has been obtained by regular administrative assistance or from public sources. The Swiss Parliament has yet to debate the proposed new law.

On December 1, 2017, the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbCR) as well as the implementing Swiss federal legislation entered into force, which is the Federal Act on the International Automatic Exchange of Country by Country Reports of Multinationals and the Federal Ordinance on the International Automatic Exchange of Country by Country Reports of Multinationals. Under the CbCR and the implementing legislation, multinational groups of companies in Switzerland will have to prepare country-by-country reports for the first time for the 2018 tax year. The reports will be exchanged by Switzerland starting in 2020. On a voluntary basis, multinational groups of companies may prepare, and are permitted to submit, country-by-country reports for the 2016 and 2017 tax periods. Any such reports were exchanged for the first time in 2018.

Automatic exchange of information in tax matters

Switzerland has concluded a multilateral agreement with the EU on the international automatic exchange of information (AEOI) in tax matters (the AEOI Agreement), which applies to all 28 member states and also Gibraltar.

Further, Switzerland signed the multilateral competent authority agreement on the automatic exchange of financial account information (MCAA), and based on the MCAA, a number of bilateral AEOI agreements with other countries also became effective. Based on the AEOI Agreement, the bilateral AEOI agreements and the implementing laws of Switzerland, in 2017 Switzerland began to collect data in respect of financial assets held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of residents in a EU member state or Gibraltar or a treaty state, and began to exchange such data in 2018. Switzerland has signed and will sign further AEOI agreements with additional countries. An up-to-date list of the AEOI agreements of Switzerland in effect or signed and becoming effective can be found on the website of the State Secretariat for International Financial Matters.

Withholding tax reforms

On January 1, 2017, the revised Withholding Tax Act entered into force. It extends the exemption of interest paid on contingent convertible bonds and write-down bonds of banks or group companies of finance groups which were approved by FINMA and issued between January 1, 2013 and December 31, 2016, to issuances between January 1, 2017 and December 31, 2021. It also exempts interest paid on TLAC instruments approved

by FINMA for purposes of meeting regulatory requirements which have been or will be issued between January 1, 2017 and December 31, 2021, or have been issued prior to January 1, 2017 where the foreign issuer thereof will be substituted for a Swiss issuer between January 1, 2017 and December 31, 2021.
Stamp tax reforms
On January 1, 2017, the revised Stamp Tax Act entered into force. The revision introduced an exemption from the 1% issuance stamp tax for equity securities in banks or group companies of a financial group issued in connection with the conversion of TLAC instruments into equity, in addition to the exemption for equity securities in banks issued from conversion capital.
US
Banking regulation and supervision
Our banking operations are subject to extensive federal and state regulation and supervision in the US. Our direct US offices are composed of our New York Branch and representative offices in California. Each of these offices is licensed with, and subject to examination and regulation by, the state banking authority in the state in which it is located.
Our New York Branch is licensed by the New York Superintendent of Financial Services (Superintendent), examined by the New York Department of Financial Services (DFS), and subject to laws and regulations applicable to a foreign bank operating a New York branch. Under the New York Banking Law, our New York Branch must maintain eligible assets with banks in the state of New York. The amount of eligible assets required, which is expressed as a percentage of third-party liabilities, could increase if our New York Branch is no longer designated well rated by the Superintendent.
The New York Banking Law authorizes the Superintendent to seize our New York Branch and all of Credit Suisse AG’s business and property in New York State (which includes property of our New York Branch, wherever it may be located, and all of Credit Suisse AG’s property situated in New York State) under circumstances generally including violations of law, unsafe or unsound practices or insolvency. In liquidating or dealing with our New York Branch’s business after taking possession, the Superintendent would only accept for payment the claims of depositors and other creditors (unaffiliated with us) that arose out of transactions with our New York Branch. After the claims of those creditors were paid out of the business and property of the Bank in New York, the Superintendent would turn over the remaining assets, if any, to us or our liquidator or receiver.
Under New York Banking Law and US federal banking laws, our New York Branch is generally subject to single borrower lending limits expressed as a percentage of the worldwide capital of the Bank. Under the Dodd-Frank Act, lending limits take into account credit exposure arising from derivative transactions, securities borrowing and lending transactions and repurchase and reverse repurchase agreements with counterparties.
Our operations are also subject to reporting and examination requirements under US federal banking laws. Our US non-banking operations are subject to examination by the Fed in its capacity as our US umbrella supervisor. The New York Branch is also subject to examination by the Fed and is subject to federal banking law requirements and limitations on the acceptance and maintenance of deposits. Because the New York Branch does not engage in retail deposit taking, it is not a member of, and its deposits are not insured by, the FDIC.
US federal banking laws provide that a state-licensed branch (such as the New York Branch) or agency of a foreign bank may not, as a general matter, engage as principal in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Fed has determined that such activity is consistent with sound banking practice. In addition, regulations which the Fed may adopt (including at the recommendation of the FSOC) could affect the nature of the activities which the Bank (including the New York Branch) may conduct, and may impose restrictions and limitations on the conduct of such activities.
The Fed may terminate the activities of a US branch or agency of a foreign bank if it finds that the foreign bank: (i) is not subject to comprehensive supervision in its home country; (ii) has violated the law or engaged in an unsafe or unsound banking practice in the US; or (iii) for a foreign bank that presents a risk to the stability of the US financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.
Credit Suisse Group and the Bank became financial holding companies for purposes of US federal banking law in 2000 and, as a result, may engage in a broad range of non-banking activities in the US, including insurance, securities, private equity and other financial activities, in each case subject to regulatory requirements and limitations. Credit

Suisse Group is still required to obtain the prior approval of the Fed (and potentially other US banking regulators) before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of (or otherwise controlling) any US bank, bank holding company or many other US depositary institutions and their holding companies, and as a result of the Dodd-Frank Act, before making certain acquisitions involving large non-bank companies. The New York Branch is also restricted from engaging in certain tying arrangements involving products and services, and in certain transactions with certain of its affiliates. If Credit Suisse Group or the Bank ceases to be well-capitalized or well-managed under applicable Fed rules, or otherwise fails to meet any of the requirements for financial holding company status, it may be required to discontinue certain financial activities or terminate its New York Branch. Credit Suisse Group's ability to undertake acquisitions permitted for financial holding companies could also be adversely affected.

As mentioned above, Credit Suisse is also subject to the so-called "Volcker Rule", which limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds, broadly defined, and to engage in certain types of proprietary trading for their own account. These restrictions are subject to certain exclusions and exemptions, including with respect to underwriting, market-making, risk-mitigating hedging and certain asset and fund management activities, and with respect to certain transactions and investments occurring solely outside of the US. The Volcker Rule requires banking entities to establish an extensive array of compliance policies, procedures and quantitative metrics reporting designed to ensure and monitor compliance with restrictions under the Volcker Rule. It also requires an annual attestation either by the CEO of the top-tier FBO or the senior management officer in the US as to the implementation of a compliance program reasonably designed to achieve compliance with the Volcker Rule. The Volcker Rule's implementing regulations became effective in April 2014 and Credit Suisse was generally required to come into compliance with the Volcker Rule by July 2015, with the exception of "legacy" investments in, and bank relationships with, certain private funds, that were in place prior to December 31, 2013, for which the Fed extended the compliance deadline to July 21, 2017. In April 2017, the Fed granted Credit Suisse an extended transition period to conform investments in certain illiquid funds under the Volcker Rule for an additional five years (i.e., until July 21, 2022). Credit Suisse has implemented a Volcker Rule compliance program reasonably designed to satisfy the requirements of the Volcker Rule. The Volcker Rule's implementing regulations are highly complex and may be subject to further rulemaking, regulatory interpretation and guidance, and its full impact will not be known with certainty for some time.

Fed regulations implementing the Dodd-Frank Act required Credit Suisse to create a single US IHC to hold all of its US subsidiaries with limited exceptions by July 1, 2017. The IHC requirement does not apply to the New York Branch. Credit Suisse's US IHC is subject to US risk-based capital and leverage requirements that are largely consistent with the Basel III framework published by the BCBS, though they diverge in several important respects due to the requirements of the Dodd-Frank Act, and is subject to capital planning and capital stress testing requirements under the Dodd-Frank Act and the Fed's annual Comprehensive Capital Analysis and Review (CCAR). In June 2018, the Fed released results of its annual CCAR stress tests, publicly releasing results for Credit Suisse's US IHC for the first time. Credit Suisse's US IHC was projected to maintain capital ratios above minimum regulatory requirements in the adverse and severely adverse CCAR stress scenarios, and the Fed did not object to its proposed capital plan. As part of the stress testing requirements of the Dodd-Frank Act, Credit Suisse's US IHC was also required to conduct a mid-cycle stress test using a set of internally developed macroeconomic scenarios and submit the results to the Fed in October 2018. As disclosed, Credit Suisse's US IHC was projected to maintain capital ratios above minimum regulatory requirements under the internally developed severely adverse scenario.

Credit Suisse's US IHC is also subject to additional requirements under the Fed's final TLAC framework for IHCs, described above. In addition, both Credit Suisse's US IHC itself and the combined US operations of Credit Suisse (including Credit Suisse's US IHC and the New York Branch) are subject to other new prudential requirements, including with respect to liquidity risk management, separate liquidity buffers for each of Credit Suisse's US IHC and the New York Branch, liquidity stress testing and SCCLs. Under proposals that remain under consideration, the combined US operations of Credit Suisse may become subject to an early remediation regime which could be triggered by risk-based capital, leverage, stress tests, liquidity, risk management and market indicators. The Fed has also indicated that it is considering future rulemakings that could apply the US rules implementing the Basel III liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) to the US operations of certain large FBOs, and that could further tailor the US prudential standards applicable to FBOs based on size, complexity and risk.

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

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

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

Broker-dealer and asset management regulation and supervision

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

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

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

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

The Dodd-Frank Act also requires broader regulation of hedge funds and private equity funds, as well as credit rating agencies.

Derivative regulation and supervision

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

Each of CSI, CSSEL and Credit Suisse Capital LLC (CS Capital) is registered with the CFTC as a swap dealer as a result of its applicable swap activities and is therefore subject to requirements relating to reporting, record-keeping, swap confirmation, swap portfolio reconciliation and compression, mandatory clearing, mandatory on-facility trading, swap trading relationship documentation, external business conduct, risk management, chief compliance officer duties and reports and internal controls. However, where permitted by comparability determinations by the CFTC or in reliance on no-action letters issued by the CFTC, non-US swap dealers, including CSI and CSSEL, can comply with certain requirements through substituted compliance with EU regulations. The CFTC has also stated that it intends to grant new substituted compliance and exemption orders and no-action letters at the point of the UK's withdrawal from the EU, which would permit CSI and CSSEL to satisfy such requirements by complying with relevant UK regulations.

As registered swap dealers that are not banks, CSSEL and CS Capital are also subject to the CFTC's margin rules for uncleared swaps. As a non-US swap dealer, CSSEL is only subject to these rules in connection with its uncleared swaps with US persons, non-US persons guaranteed by US persons, and certain non-US swap dealer subsidiaries of US persons. As a registered swap dealer that is a foreign bank, CSI is subject to the margin rules for uncleared swaps and security-based swaps of the Fed, and CSI likewise is only subject to these rules in connection with its uncleared swaps and security-based swaps with US persons, non-US persons guaranteed by US persons, and certain non-US swap dealer subsidiaries of US persons. Both of these margin rules are following a phased implementation schedule. Since March 1, 2017, CSI, CSSEL and CS Capital have been required to comply with variation margin requirements with covered entities under these rules, requiring the exchange of daily mark-to-market margin with all such covered entities. Initial margin requirements began phasing in annually for different counterparties from September 1, 2016, with remaining phases relating to the application of initial margin requirements to market participants with group-wide notional derivatives exposure during the preceding March, April and May of at least USD 750 billion or at least USD 8 billion on September 1, 2019 or September 1, 2020, respectively. The broad expansion of initial margin requirements on September 1, 2020 could have a significant adverse impact on our OTC derivatives business because of the large number of affected counterparties that might need to enter into new documentation and upgrade their systems in order to comply.

The Dodd-Frank Act also mandates that the CFTC adopt capital requirements for non-bank swap dealers (such as CSSEL and CS Capital), and the CFTC continues to consider proposed rules in this area. Under the CFTC's most recent proposal, CSSEL and CS Capital could elect whether to satisfy capital requirements based on Fed rules implementing Basel capital requirements or SEC rules similar to the capital requirements currently applicable to US broker-dealers, but in each case they would be subject to an additional capital requirement based on 8% of the initial margin required for their derivatives positions. If the CFTC found EU capital requirements to be comparable, or, following the UK's withdrawal from the EU, if the CFTC found relevant UK capital requirements to be comparable, CSSEL could satisfy the CFTC's requirements through "substituted compliance" with the EU or UK requirements, as applicable. If the CFTC did not grant that comparability determination, however, CSSEL could face a significant competitive disadvantage relative to non-US competitors not subject to CFTC capital requirements due to the additional capital that may be required under the CFTC's rules as proposed and the burdens associated with satisfying duplicative capital regimes. In contrast, the Fed thus far has declined to apply additional capital requirements to swap dealers that are foreign banks, such as CSI.

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The CFTC continues to consider proposed rules with potential revisions to its framework for the cross-border application of swap dealer regulations. In the meantime, key aspects of that framework, such as the application of certain CFTC rules to swaps between non-US persons, remain subject to temporary no-action letters. Expiration of any of these letters without modifications to the CFTC's guidance or permitting substituted compliance with the EU rules could reduce the willingness of non-US counterparties to trade with CSI and CSSEL, which could negatively affect our swap trading revenue or necessitate changes to how we organize our swap business. We continue to monitor these developments and prepare contingency plans to comply with the final guidance or rules once effective.

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

Our asset management businesses include legal entities registered and regulated as commodity pool operators and commodity trading advisors by the CFTC and the NFA and therefore are subject to disclosure, recordkeeping, reporting and other requirements of the CFTC and the NFA.

The Dodd-Frank Act mandates that the CFTC establish aggregate position limits for certain physical commodity futures contracts and economically equivalent swaps, and the CFTC continues to consider proposed rules in this area. If the CFTC adopted its most recent proposal, these position limit rules would require us to develop a costly compliance infrastructure and could reduce our ability to participate in the commodity derivatives markets, both directly and on behalf of our clients.

In addition, in late 2018 the SEC began again to solicit comments on its rules implementing the derivatives provisions of the Dodd-Frank Act, and it is possible that the SEC will finalize some of these rules during 2019. However, the timing remains unclear. While the SEC's proposals have largely paralleled many of the CFTC's rules, significant differences between the final CFTC and SEC rules could materially increase the compliance costs associated with, and hinder the efficiency of, our equity and credit derivatives businesses with US persons. For example, significant differences between the SEC rules regarding capital, margin and segregation requirements for OTC derivatives and related CFTC rules, as well as the cross-border application of SEC and CFTC rules, could have such effects. In particular, SEC rules applying public transaction reporting and external business conduct requirements to security-based swaps between non-US persons that are arranged, negotiated or executed by US personnel could discourage non-US counterparties from entering into such transactions, unless the SEC permits substituted compliance with non-US reporting or business conduct requirements. The SEC requirements, as currently finalized, would take effect upon or shortly after security-based swap dealer registration, which will not be required until after the SEC completes several other pending rulemakings relating to security-based swap dealer regulation.

FATCA

Pursuant to an agreement with the US Internal Revenue Service (IRS) entered into in compliance with the US Foreign Account Tax Compliance Act (FATCA), Credit Suisse is required to identify and provide the IRS with information on accounts held by US persons and certain US-owned foreign entities, as well as to withhold tax on payments made to foreign financial institutions (FFIs) that are not in compliance with FATCA and account holders who fail to provide sufficient information to classify an account as a US or non-US account. Switzerland and the United States have entered into a "Model 2" intergovernmental agreement to implement FATCA, pursuant to which US authorities may ask Swiss authorities for administrative assistance in connection with group requests where consent to provide information regarding potential US accounts is not provided to FFIs, such as Credit Suisse. The Swiss Federal Council announced on October 8, 2014 that it intends to negotiate a Model 1 intergovernmental agreement that would replace the existing agreement and that would instead require FFIs in Switzerland to report US accounts to the Swiss authorities, who would in turn report that information to the IRS. It is unclear when negotiations will continue for the Model 1 intergovernmental agreement and when any new regime would come into force. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

Resolution regime

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

In addition, the Dodd-Frank Act and related rules promulgated by the Fed and the FDIC require bank holding companies and companies treated as bank holding companies with total consolidated assets of USD 100 billion or more, such as us, and certain designated non-bank financial firms, to submit periodically to the Fed and the FDIC resolution plans describing the strategy for rapid and orderly resolution under the US Bankruptcy Code or other applicable insolvency regimes, though such plans may not rely on the Orderly Liquidation Authority. The Fed and FDIC delayed our deadline for submission of our next US resolution plan until July 2020.

Cybersecurity

Federal and state regulators, including the DFS, FINRA and the SEC, have increasingly focused on cybersecurity risks and responses for regulated entities. For example, the DFS cybersecurity regulation applies to any licensed person, including DFS-licensed branches of non-US banks, and requires each company to assess its specific risk profile periodically and design a program that addresses its risks in a robust fashion. Each covered entity must monitor its systems and networks and notify the superintendent of the DFS within 72 hours after it is determined that a material cybersecurity event has occurred. Similarly, FINRA has identified cybersecurity as a significant risk and will assess firms' programs to mitigate those risks. In addition, the SEC has issued expanded interpretative guidance that highlights requirements under US federal securities laws that public operating companies must pay particular attention to with respect to cybersecurity risks and incidents.

EU

Financial services regulation and supervision

Our EU banks, investment firms and fund managers are subject to extensive regulation by EU and national regulatory authorities, whose requirements are increasingly imposed under EU directives and regulations aimed at increasing integration and harmonization in the European market for financial services. While regulations have immediate and direct effect in EU member states, directives must be implemented through national legislation. As a result, the terms of implementation of directives are not always consistent from country to country. In response to the financial crisis and in order to strengthen European supervisory arrangements, the EU established the European Systemic Risk Board, which has macro-prudential oversight of the financial system. The EU has also established three supervisory authorities responsible for promoting greater harmonization and consistent application of EU legislation by national regulators: EBA, the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority.

The Basel III capital framework is implemented in the EU by the CRD IV and the CRR (together with CRD IV, the CRD IV package). The CRD IV package comprises a single prudential rule book for banks and investment firms and establishes corporate governance and remuneration requirements, including a cap on variable remuneration for EU banks and investment firms.

Within the eurozone, banks are supervised within the Single Supervisory Mechanism. This empowers the European Central Bank (ECB) to act as a single direct supervisor for significant banks in the 17 eurozone countries and for certain non-eurozone countries which may choose to participate in the Single Supervisory Mechanism.

The revised Markets in Financial Instruments Directive (MiFID II) and MiFIR have introduced a number of significant changes to the regulatory framework established by the Markets in Financial Instruments Directive (MiFID I), and the European Commission has adopted a number of delegated and implementing measures, which supplement their requirements. In particular, MiFID II and MiFIR have introduced enhanced organizational and business conduct standards that apply to investment firms, including a number of Credit Suisse EU entities advising clients within the European Economic Area. These provisions include standards for managing conflicts of interest, best execution and enhanced investor protection. MiFID II has also enforced specific safeguards for algorithmic and high-frequency trading and introduced a ban on the receipt of investment research by portfolio managers and providers of independent investment advice unless paid for by clients.

The Directive on payment services in the internal market (PSD2), the main piece of legislation governing payment services in the EU, came into force on January 12, 2016 and was required to be transposed into their national legislation by the member states by January 13, 2018. Among other things, PSD2 extends the geographical scope of transparency and conduct of business requirements to payments to and from third countries where one of the payment service providers is located in the EU, and to transactions in non-EU currencies that have at least one leg in the EU. In addition, PSD2 has introduced more stringent requirements relating to operational and security risks. Further delegated legislation will apply from September 14, 2019. In order to comply with the new regime, financial institutions, such as Credit Suisse, may have to make changes to their payment services terms and conditions, as well as to adapt their processes and IT systems.

The Benchmarks Regulation (BMR) introduces new rules aimed at ensuring greater accuracy and integrity of benchmarks in financial instruments. The BMR sets out various requirements which will govern the activities of benchmark administrators and submitters. The majority of the provisions of the BMR have applied since January 1,

2018. Certain requirements introduced by the BMR have applied to Credit Suisse in its capacity as a contributor to certain critical benchmarks from June 30, 2016. A number of European Commission Delegated Regulations supplementing the BMR entered into force in 2018. The regulations specify, among other things, the criteria for assessing whether certain events would result in significant and adverse impacts on matters including the market integrity and financial stability of one or more member states and the conditions to assess the impact resulting from the cessation of, or change to, existing benchmarks.

On January 4, 2017, the European Commission Delegated Regulation supplementing the European Market Infrastructure Regulation (also known as "EMIR") with regard to regulatory technical standards for risk mitigation techniques for OTC derivatives not cleared by a central counterparty entered into force. The delegated regulation imposes a requirement on financial counterparties and non-financial counterparties above the clearing threshold to collect initial margin and variation margin in respect of non-centrally cleared OTC derivative transactions. The requirements relating to initial margin and variation margin have applied since February 4, 2017 in relation to the largest market participants. Other market participants have become or in the future will become subject to the requirements relating to initial margin through a series of annual phase-in dates, starting September 1, 2017. Requirements relating to variation margin have applied to all financial and non-financial counterparties above the clearing threshold since March 1, 2017.

Resolution regime

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

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

The BRRD also requires banks to hold a certain amount of bail-inable loss-absorbing capacity at both individual and consolidated levels. This requirement is known as the MREL, and is conceptually similar to the TLAC framework.

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

Data protection regulation

The General Data Protection Regulation (GDPR) is now fully applicable and applies to the processing of personal data in the context of our EU establishments as well as in relation to the processing of personal data of individuals in the EU by our non-EU establishments to the extent such non-EU establishments are offering products and/or services to EU customers or monitoring their behavior in the EU. The GDPR requires us to take various measures to ensure compliance with the regulation, including processing personal data in accordance with the data protection principles, maintaining records of data processing, ensuring adequate security for personal data, complying with data breach notification requirements, and giving effect to data subjects' rights. Furthermore, in accordance with the GDPR, we have appointed a Data Protection Officer who is responsible for monitoring our compliance with the GDPR and providing advice in connection with the regulation. The GDPR grants broad enforcement powers to data protection authorities, including the potential to levy significant administrative fines for non-compliance.

UK

Banking regulation and supervision

The principal statutory regulators of financial services activity in the UK are the PRA, a part of the Bank of England, which is responsible for the micro-prudential regulation of banks and larger investment firms, and the Financial Conduct Authority (FCA), which regulates markets, the conduct of business of all financial firms, and the prudential regulation of firms not regulated by the PRA. In addition, the Financial Policy Committee of the Bank of England is responsible for macro-prudential regulation.

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

CSI, Credit Suisse (UK) Limited and Credit Suisse AG, London Branch are authorized to take deposits. We also have a number of entities authorized to conduct investment business and asset management activities. In deciding whether to grant authorization, the PRA must first determine whether a firm satisfies the threshold conditions for authorization, which include suitability and the requirement for the firm to be fit and proper.

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Our London Branch is required to comply principally with Swiss home country regulation. However, as a response to the global financial crisis, the PRA made changes to its prudential supervision rules in its Handbook of Rules and Guidance, applying a principle of "self-sufficiency", such that CSI, CSSEL and Credit Suisse (UK) Limited are required to maintain adequate liquidity resources, under the day-to-day supervision of the entity's senior management, held in a custodian account in the name of the entity, unencumbered and attributed to the entity balance sheet. In addition, the PRA requires CSI, CSSEL and Credit Suisse (UK) Limited to maintain a minimum capital ratio and to monitor and report large exposures in accordance with the rules implementing CRD IV.

With effect from January 1, 2014, CRD IV replaced the previous CRD with new measures implementing Basel III and other requirements. The PRA is also responsible for approval of certain models with respect to regulatory capital requirements of our UK subsidiaries.

The PRA has implemented the requirements of CRD IV relating to staff remuneration and imposed a 1:1 cap on variable remuneration which can rise to 1:2 with explicit shareholder approval.

The UK Financial Services Act 2013 (Banking Reform Act), enacted in December 2013, establishes a more stringent regulatory regime for senior managers and specified risk takers in a bank or PRA authorized investment firm; it also makes reckless misconduct in the management of a bank a criminal offense. These rules impact our UK entities, such as CSI and CSSEL.

Broker-dealer and asset management regulation and supervision

Our London bank and broker-dealer subsidiaries are authorized under the Financial Services and Markets Act 2000 (FSMA) and are subject to regulation by the PRA and FCA. In addition, our asset management companies are authorized under the FSMA and are subject to regulation by the FCA. In deciding whether to authorize an investment firm in the UK, the PRA and FCA will consider the threshold conditions, which include suitability and the general requirement for a firm to be fit and proper. The PRA and FCA are responsible for regulating most aspects of an investment firm's business, including its regulatory capital, sales and trading practices, use and safekeeping of customer funds and securities, record-keeping, margin practices and procedures, registration standards for individuals carrying on certain functions, anti-money laundering systems and periodic reporting and settlement procedures.

Resolution regime

The UK legislation related to the recovery and resolution of credit institutions such as Credit Suisse consists of the special resolution regime (SRR), the PRA recovery and resolution framework and the FCA recovery and resolution requirements, which implement the BRRD in the UK. The UK Banking Act and the related secondary legislation govern the application of the SRR, which grants the UK authorities powers to handle systemically important firms, such as banks, in case of highly likely failure. The UK resolution authority is the Bank of England which is empowered, among other things, to direct firms and their parent undertakings to address or remove barriers to resolvability, to enforce resolution actions and to carry out resolvability assessments of credit institutions. Separately, the PRA and the FCA have the power to require parent undertakings of firms subject to this regime to take actions such as the preparation and submission of group recovery plans or the facilitation of the use of resolution powers.

Risk factors

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

Liquidity risk

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

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

Our liquidity could be impaired if we were unable to access the capital markets, sell our assets, our liquidity costs increase or as a result of uncertainties regarding the possible discontinuation of benchmark rates

Our ability to borrow on a secured or unsecured basis and the cost of doing so can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to us, certain of our counterparties or the banking sector as a whole, including our perceived or actual creditworthiness. An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a substantial adverse effect on our liquidity. In challenging credit markets our funding costs may increase or we may be unable to raise funds to support or expand our businesses, adversely affecting our results of operations. Following the financial crisis in 2008 and 2009, our costs of liquidity have been significant and we expect to incur ongoing costs as a result of regulatory requirements for increased liquidity. In addition, in July 2017, the FCA, which regulates the London interbank offered rate (LIBOR), announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. As such, it appears highly likely that LIBOR will be discontinued after 2021. Any such developments or future changes in the administration of benchmarks could result in adverse consequences to the return on, value of and market for securities and other instruments whose returns or contractual mechanics are linked to any such benchmark, including those issued by the Group. For example, alternative reference rates may not provide a term structure and may require a change in contractual terms of products currently indexed on terms other than overnight. The replacement of LIBOR or any other benchmark with an alternative reference rate could negatively impact the value of and return on existing securities and other contracts and result in mispricing and additional legal, financial, operational, compliance, reputational or other risks to us, our clients and other market participants. In addition, any transition to alternative reference rates will require changes to our documentation, methodologies, processes, controls, systems and operations, which would result in increased effort and cost.

> Refer to "Potential replacement of interbank offered rates" in II – Operating and financial review – Credit Suisse – Other information for further information.

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

Our businesses rely significantly on our deposit base for funding

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

Changes in our ratings may adversely affect our business

Ratings are assigned by rating agencies. They may lower, indicate their intention to lower or withdraw their ratings at any time. The major rating agencies remain focused on the financial services industry, particularly on uncertainties as to whether firms pose systemic risk in a financial or credit crisis, and on such firms' potential vulnerability to market sentiment and confidence, particularly during periods of severe economic stress. Any downgrades in our ratings could increase our borrowing costs, limit our access to capital markets, increase our cost of capital and adversely affect the ability of our businesses to sell or market their products, engage in business transactions – particularly financing and derivatives transactions – and retain our clients.

Market risk

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

Although we continued to strive to reduce our balance sheet and made significant progress in implementing our strategy in 2018, we continue to maintain large trading and investment positions and hedges in the debt, currency and equity markets, and in private equity, hedge funds, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. To the extent that we own assets, or have net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of our net long positions. Conversely, to the extent that we have sold assets that we do not own, or have net short positions, in any of those markets, an upturn in those markets could expose us to potentially significant losses as we attempt to cover our net short positions by acquiring assets in a rising market. Market fluctuations, downturns and volatility can adversely affect the fair value of our positions and our results of operations. Adverse market or economic conditions or trends have caused, and in the future may cause, a significant decline in our net revenues and profitability.

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

As a global financial services company, our businesses are materially affected by conditions in the financial markets, economic conditions generally and other developments in Europe, the US, Asia and elsewhere around the world. The recovery from the economic crisis of 2008 and 2009 continues to be sluggish in several key developed markets. The European sovereign debt crisis as well as US debt levels and the federal budget process have not been permanently resolved. In addition, commodity price volatility and concerns about emerging markets have affected financial markets. Financial market volatility increased significantly during 2018, and several global financial market indices declined sharply in the fourth quarter of 2018. Our financial condition and results of operations could be materially adversely affected if these conditions do not improve, or if they stagnate or worsen. Further, various countries in which we operate or invest have experienced severe economic disruptions particular to that country or region, including extreme currency fluctuations, high inflation, or low or negative growth, among other negative conditions. Concerns about weaknesses in the economic and fiscal condition of certain European countries have continued, especially with regard to how such weaknesses might affect other economies as well as financial institutions (including us) which lent funds to or did business with or in those countries.

Continued concern about European economies, including the refugee crisis and political uncertainty as well as in relation to the UK's withdrawal from the EU, could cause disruptions in market conditions in Europe and around the world. UK Prime Minister Theresa May initiated the two-year process of negotiations for withdrawal from the EU in March 2017, with an anticipated date of withdrawal in 2019 (subject to any transitional arrangements that may be agreed between the EU and the UK). The results of this negotiation and the macroeconomic impact of this decision are difficult to predict and are expected to remain uncertain for a prolonged period. Among the significant global implications of the UK referendum was the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies. We cannot accurately predict the impact of the UK leaving the EU on Credit Suisse and such impact may negatively affect our future results of operations and financial condition. Our legal entities that are organized or operate in the UK could face limitations on providing services or otherwise conducting business in the EU following the UK's withdrawal, which may require us, immediately or following any applicable transitional period, to implement potentially significant changes to our legal entity structure and locations in which we conduct certain operations.

> Refer to "UK-EU relationship" in Regulation and supervision – Recent regulatory developments and proposals – UK for further information.

While the execution of the program evolving the Group's legal entity structure to meet developing and future regulatory requirements has substantially concluded, there remain a number of uncertainties that may affect the feasibility, scope and timing of the intended results relating to the evolution of our legal entity structure. Significant legal and regulatory changes affecting us and our operations may require us to make further changes in our legal structure. The implementation of these changes has required, and may further require, significant time and resources and has increased, and may potentially further increase, operational, capital, funding and tax costs as well as our counterparties' credit risk. The environment of political uncertainty in continental Europe may also affect our business. The popularity of nationalistic sentiments may result in significant shifts in national policy and a decelerated path to further European integration. Similar uncertainties exist regarding the impact of recent and proposed changes in US policies on trade, immigration, climate change and foreign relations. Growing global trade tensions, including between key trading partners such as China, the US and the EU, may be disruptive to global economic growth and may also negatively affect our business.

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

Such adverse market or economic conditions may reduce the number and size of investment banking transactions in which we provide underwriting, mergers and acquisitions advice or other services and, therefore, may adversely affect our financial

advisory and underwriting fees. Such conditions may adversely affect the types and volumes of securities trades that we execute for customers and may adversely affect the net revenues we receive from commissions and spreads. In addition, several of our businesses engage in transactions with, or trade in obligations of, governmental entities, including supranational, national, state, provincial, municipal and local authorities. These activities can expose us to enhanced sovereign, credit-related, operational and reputational risks, including the risks that a governmental entity may default on or restructure its obligations or may claim that actions taken by government officials were beyond the legal authority of those officials, which could adversely affect our financial condition and results of operations.
Unfavorable market and economic conditions have affected our businesses over the last years, including the low interest rate environment, continued cautious investor behavior and changes in market structure. These negative factors have been reflected in lower commissions and fees from our client-flow sales and trading and asset management activities, including commissions and fees that are based on the value of our clients' portfolios. Investment performance that is below that of competitors or asset management benchmarks could result in a decline in assets under management and related fees and make it harder to attract new clients. There has been a fundamental shift in client demand away from more complex products and significant client deleveraging, and our results of operations related to private banking and asset management activities have been and could continue to be adversely affected as long as this continues.
Adverse market or economic conditions have also negatively affected our private equity investments and may negatively affect them in the future since, if a private equity investment substantially declines in value, we may not receive any increased share of the income and gains from such investment (to which we are entitled in certain cases when the return on such investment exceeds certain threshold returns), may be obligated to return to investors previously received excess carried interest payments and may lose our pro rata share of the capital invested. In addition, it could become more difficult to dispose of the investment as even investments that are performing well may prove difficult to exit.
In addition to the macroeconomic factors discussed above, other events beyond our control, including terrorist attacks, cyber attacks, military conflicts, economic or political sanctions, disease pandemics, political unrest or natural disasters, could have a material adverse effect on economic and market conditions, market volatility and financial activity, with a potential related effect on our businesses and results.
We may incur significant losses in the real estate sector
We finance and acquire principal positions in a number of real estate and real estate-related products, primarily for clients, and originate loans secured by commercial and residential properties. As of December 31, 2018, our real estate loans as reported to the SNB totaled approximately CHF 146 billion. We also securitize and trade in commercial and residential real estate and real estate-related whole loans, mortgages and other real estate and commercial assets and products, including CMBS and RMBS. Our real estate-related businesses and risk exposures could be adversely affected by any downturn in real estate markets, other sectors and the economy as a whole. In particular, the risk of potential price corrections in the real estate market in certain areas of Switzerland could have a material adverse effect on our real estate-related businesses.
Holding large and concentrated positions may expose us to large losses
Concentrations of risk could increase losses, given that we have sizeable loans to, and securities holdings in, certain customers, industries or countries. Decreasing economic growth in any sector in which we make significant commitments, for example, through underwriting, lending or advisory services, could also negatively affect our net revenues.
We have significant risk concentration in the financial services industry as a result of the large volume of transactions we routinely conduct with broker-dealers, banks, funds and other financial institutions, and in the ordinary conduct of our business we may be subject to risk concentration with a particular counterparty. We, like other financial institutions, continue to adapt our practices and operations in consultation with our regulators to better address an evolving understanding of our exposure to, and management of, systemic risk and risk concentration to financial institutions. Regulators continue to focus on these risks, and there are numerous new regulations and government proposals, and significant ongoing regulatory uncertainty, about how best to address them. There can be no assurance that the changes in our industry, operations, practices and regulation will be effective in managing this risk.
> Refer to "Regulation and supervision" for further information.

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

Our hedging strategies may not prevent losses

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

Market risk may increase the other risks that we face

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

Credit risk

We may suffer significant losses from our credit exposures

Our businesses are subject to the fundamental risk that borrowers and other counterparties will be unable to perform their obligations. Our credit exposures exist across a wide range of transactions that we engage in with a large number of clients and counterparties, including lending relationships, commitments and letters of credit, as well as derivative, currency exchange and other transactions. Our exposure to credit risk can be exacerbated by adverse economic or market trends, as well as increased volatility in relevant markets or instruments. In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of our positions, thereby leading to increased concentrations. Any inability to reduce these positions may not only increase the market and credit risks associated with such positions, but also increase the level of risk-weighted assets on our balance sheet, thereby increasing our capital requirements, all of which could adversely affect our businesses.

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

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

Management’s determination of the provision for loan losses is subject to significant judgment. Our banking businesses may need to increase their provisions for loan losses or may record losses in excess of the previously determined provisions if our original estimates of loss prove inadequate, which could have a material adverse effect on our results of operations.

> Refer to “Credit risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management and “Note 1 – Summary of significant accounting policies”, “Note 9 – Provision for credit losses” and “Note 19 – Loans, allowance for loan losses and credit quality” in VI – Consolidated financial statements – Credit Suisse Group for information on provisions for loan losses and related risk mitigation.

Under certain circumstances, we may assume long-term credit risk, extend credit against illiquid collateral and price derivative instruments aggressively based on the credit risks that we take. As a result of these risks, our capital and liquidity requirements may continue to increase.

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

Concerns or even rumors about or a default by one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as systemic risk. Concerns about defaults by and failures of many financial institutions, particularly those in or with significant exposure to the eurozone, continued in 2018 and could continue to lead to losses or defaults by financial institutions and financial intermediaries with which we interact on a daily basis, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Our credit risk exposure will also increase if the collateral we hold cannot be realized or can only be liquidated at prices insufficient to cover the full amount of exposure.

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

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

Risks relating to our strategy

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

In October 2015, we announced a comprehensive new strategic direction, structure and organization of the Group, which we updated in 2016, 2017 and 2018. Our ability to implement our strategic direction, structure and organization is based on a number of key assumptions regarding the future economic environment, the economic growth of certain geographic regions, the regulatory landscape, our ability to meet certain financial goals and targets, anticipated interest rates and central bank action, among other things. If any of these assumptions (including but not limited to our

ability to meet certain financial goals and targets) prove inaccurate in whole or in part, our ability to achieve some or all of the expected benefits of this strategy could be limited, including our ability to meet our stated financial goals and targets and retain key employees. Factors beyond our control, including but not limited to market and economic conditions, changes in laws, rules or regulations, including the application of regulations to be issued by the US Internal Revenue Service related to BEAT, execution risk related to the implementation of our strategy and other challenges and risk factors discussed in this report, could limit our ability to achieve some or all of the expected benefits of this strategy. If we are unable to implement our strategy successfully in whole or in part or should the components of the strategy that are implemented fail to produce the expected benefits, our financial results and our share price may be materially and adversely affected.
> Refer to “Strategy” for further information on our strategic direction.

Additionally, part of our strategy involves a change in focus within certain areas of our business, which may have unanticipated negative effects in other areas of the business and may result in an adverse effect on our business as a whole.

The implementation of our strategy may increase our exposure to certain risks, including but not limited to credit risks, market risks, operational risks and regulatory risks. We also seek to achieve certain financial goals and targets, for example in relation to return on tangible equity, which may or may not be successful. There is no guarantee that we will be able to achieve these goals and targets in the form described or at all. Finally, changes to the organizational structure of our business, as well as changes in personnel and management, may lead to temporary instability of our operations.

In addition, acquisitions and other similar transactions we undertake subject us to certain risks. Even though we review the records of companies we plan to acquire, it is generally not feasible for us to review all such records in detail. Even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities (including legal and compliance issues), or an acquired business may not perform as well as expected. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively as a result of, among other things, differing procedures, business practices and technology systems, as well as difficulties in adapting an acquired company into our organizational structure. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses. We also face the risk that unsuccessful acquisitions will ultimately result in our having to write down or write off any goodwill associated with such transactions. We continue to have a significant amount of goodwill relating to our acquisition of Donaldson, Lufkin & Jenrette Inc. and other transactions recorded on our balance sheet that could result in additional goodwill impairment charges.

We may also seek to engage in new joint ventures (within the Group and with external parties) and strategic alliances. Although we endeavor to identify appropriate partners, our joint venture efforts may prove unsuccessful or may not justify our investment and other commitments.

Risks from estimates and valuations

We make estimates and valuations that affect our reported results, including measuring the fair value of certain assets and liabilities, establishing provisions for contingencies and losses for loans, litigation and regulatory proceedings, accounting for goodwill and intangible asset impairments, evaluating our ability to realize deferred tax assets, valuing equity-based compensation awards, modeling our risk exposure and calculating expenses and liabilities associated with our pension plans. These estimates are based upon judgment and available information, and our actual results may differ materially from these estimates.

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

Our estimates and valuations rely on models and processes to predict economic conditions and market or other events that might affect the ability of counterparties to perform their obligations to us or impact the value of assets. To the extent our models and processes become less predictive due to unforeseen market conditions, illiquidity or volatility, our ability to make accurate estimates and valuations could be adversely affected.

Risks relating to off-balance sheet entities

We enter into transactions with special purpose entities (SPEs) in our normal course of business, and certain SPEs with which we transact business are not consolidated and their assets and liabilities are off-balance sheet. We may have to exercise significant management judgment in applying relevant accounting consolidation standards, either initially or after the occurrence of certain events that may require us to reassess whether consolidation is required. Accounting standards relating to consolidation, and their interpretation, have changed and may continue to change. If we are required to consolidate an SPE, its assets and liabilities would be recorded on our consolidated balance sheets and we would recognize related gains and losses in our consolidated statements of operations, and this could have an adverse impact on our results of operations and capital and leverage ratios.

> Refer to “Off-balance sheet” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet and off-balance sheet for information on our transactions with and commitments to SPEs.

Country and currency exchange risk

Country risks may increase market and credit risks we face

Country, regional and political risks are components of market and credit risk. Financial markets and economic conditions generally have been and may in the future be materially affected by such risks. Economic or political pressures in a country or region, including those arising from local market disruptions, currency crises, monetary controls or other factors, may adversely affect the ability of clients or counterparties located in that country or region to obtain foreign currency or credit and, therefore, to perform their obligations to us, which in turn may have an adverse impact on our results of operations.

We may face significant losses in emerging markets

An element of our strategy is to scale up our private banking businesses in emerging market countries. Our implementation of that strategy will necessarily increase our existing exposure to economic instability in those countries. We monitor these risks, seek diversity in the sectors in which we invest and emphasize client-driven business. Our efforts at limiting emerging market risk, however, may not always succeed. In addition, various emerging market countries, such as Brazil during 2017 and 2018, have experienced and may continue to experience severe economic, financial and political disruptions or slower economic growth than in prior years. In addition, sanctions have been imposed on certain individuals and companies in Russia and further sanctions are possible. The possible effects of any such disruptions may include an adverse impact on our businesses and increased volatility in financial markets generally.

Currency fluctuations may adversely affect our results of operations

We are exposed to risk from fluctuations in exchange rates for currencies, particularly the US dollar. In particular, a substantial portion of our assets and liabilities are denominated in currencies other than the Swiss franc, which is the primary currency of our financial reporting. Our capital is also stated in Swiss francs, and we do not fully hedge our capital position against changes in currency exchange rates. The Swiss franc weakened slightly against the US dollar and strengthened against the euro in 2018.

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

Operational risk

We are exposed to a wide variety of operational risks, including cybersecurity and other information technology risks

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems or from external events. In general, although we have business continuity plans, our businesses face a wide variety of operational risks, including technology risk that stems from dependencies on information technology, third-party suppliers and the telecommunications infrastructure as well as from the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses. As a global financial services company, we rely heavily on our financial, accounting and other data processing systems, which are varied and complex. Our business depends on our ability to process a large volume of diverse and complex transactions, including derivatives transactions, which have increased in volume and complexity. We are exposed to operational risk arising from errors made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded or accounted for. Cybersecurity and other information technology risks for financial institutions have significantly increased in recent years. Regulatory requirements in these areas have increased and are expected to increase further. Information security, data confidentiality and integrity are of critical importance to our businesses. Despite our wide array of security measures to protect the confidentiality, integrity and availability of our systems and information, it is not always possible to anticipate the evolving threat landscape and mitigate all risks to our systems and information. We could also be affected by risks to the systems and information of clients, vendors, service providers, counterparties and other third parties. In addition, we may introduce new products or services or change processes, resulting in new operational risk that we may not fully appreciate or identify.

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

A cyber attack, information or security breach or technology failure may result in operational issues, the infiltration of payment systems or the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information relating to Credit Suisse, our clients, vendors, service providers, counterparties or other third parties. Given our global footprint and the high volume of transactions we process, the large number of clients, partners and counterparties with which we do business, our growing use of digital, mobile and internet-based services, and the increasing frequency, sophistication and evolving nature of cyber attacks, a cyber attack, information or security breach or technology failure may occur without detection for an extended period of time. In addition, we expect that any investigation of a cyber attack, information or security breach or technology failure will be inherently unpredictable and it may take time before any investigation is complete. During such time, we may not know the extent of the harm or how best to remediate it and certain errors or actions may be repeated or compounded before they are discovered and rectified, all or any of which would further increase the costs and consequences of a cyber attack, information or security breach or technology failure.

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

We may suffer losses due to employee misconduct

Our businesses are exposed to risk from potential non-compliance with policies or regulations, employee misconduct or negligence and fraud, which could result in civil or criminal investigations and charges, regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to, for example, the actions of traders performing unauthorized trades or other employee misconduct. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

Risk management

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

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

Legal and regulatory risks

Our exposure to legal liability is significant

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

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

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

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

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

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

As a participant in the financial services industry, we are subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organizations in Switzerland, the EU, the UK, the US and other jurisdictions in which we operate around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly and may increase further. Moreover, a number of these requirements are currently being finalized and their regulatory burden may further increase in the future. For example, the Basel III reforms are still being finalized and implemented and/or phased-in, as applicable, and new gone concern requirements may be introduced for Credit Suisse AG. These regulations often serve to limit our activities, including through the application of increased or enhanced capital, leverage and liquidity requirements, the addition of capital surcharges for risks related to operational, litigation, regulatory and similar matters, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which we may operate or invest. Such limitations can have a negative effect on our business and our ability to implement strategic initiatives. To the extent we are required to divest certain businesses, we could incur losses, as we may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

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

may further negatively affect us, as certain requirements currently are not expected to apply equally to all of our competitors or to be implemented uniformly across jurisdictions.
For example, the additional requirements related to minimum regulatory capital, leverage ratios and liquidity measures imposed by Basel III, as implemented in Switzerland, together with more stringent requirements imposed by the Swiss legislation, and the related implementing ordinances and actions by our regulators, have contributed to our decision to reduce risk-weighted assets and the size of our balance sheet, and could potentially impact our access to capital markets and increase our funding costs. In addition, the ongoing implementation in the US of the provisions of the Dodd-Frank Act, including the "Volcker Rule", derivatives regulation, and other regulatory developments described in "Regulation and supervision", have imposed, and will continue to impose, new regulatory burdens on certain of our operations. These requirements have contributed to our decision to exit certain businesses (including a number of our private equity businesses) and may lead us to exit other businesses. Recent CFTC, SEC and Fed rules and proposals have materially increased, or could in the future materially increase, the operating costs, including margin requirements, compliance, information technology and related costs, associated with our derivatives businesses with US persons, while at the same time making it more difficult for us to transact derivatives business outside the US. Further, in 2014, the Fed adopted a final rule under the Dodd-Frank Act that created a new framework for regulation of the US operations of foreign banking organizations such as ours. Certain aspects of the framework are still to be implemented. Implementation is expected to continue to result in our incurring additional costs and to affect the way we conduct our business in the US, including through our US IHC. Certain of these proposals are not final or may be subject to further modification or changes, and the ultimate impact of any final requirements cannot be predicted at this time. Further, already enacted and possible future cross-border tax regulation with extraterritorial effect, such as FATCA, and other bilateral or multilateral tax treaties and agreements on the automatic exchange of information in tax matters, impose detailed reporting obligations and increased compliance and systems-related costs on our businesses. In addition, the US tax reform enacted on December 22, 2017 introduced substantial changes to the US tax system, including the lowering of the corporate tax rate and the introduction of BEAT. Additionally, implementation of CRD IV, MiFID II and MiFIR and their Swiss counterpart, the Federal Financial Services Act (FFSA), and other reforms may negatively affect our business activities. Whether or not the FFSA, together with supporting or implementing laws and regulations, will be deemed equivalent to MiFID II is uncertain. Swiss banks, including us, may accordingly be limited from participating in businesses regulated by such laws. Finally, we expect that TLAC requirements, which took effect on January 1, 2019 in Switzerland and the US, as well as in the UK, and are being finalized in many other jurisdictions, including the EU, as well as new requirements and rules with respect to the internal total loss-absorbing capacity of G-SIBs and their operating entities (iTLAC), may increase our cost of funding and restrict our ability to deploy capital and liquidity on a global basis as needed when they are implemented.
Further, following the formal notification by the UK of its decision to leave the EU, negotiations have been carried out on the withdrawal agreement and the final outcome remains uncertain. Negotiations include the renegotiation, either during a transitional period or more permanently, of a number of regulatory and other arrangements between the EU and the UK that could directly impact our business. Adverse changes to any of these arrangements, and even uncertainty over potential changes during the remaining period of negotiation, could potentially impact our results.
> Refer to "UK-EU relationship" in Regulation and supervision – Recent regulatory developments and proposals – UK for further information.
In addition, there have been frequent and complex changes in sanction regimes imposed on countries, entities and individuals in recent years. As a result, our costs of monitoring and complying with sanctions requirements have increased, and there is an increased risk that we will not timely identify prohibited activity.
We expect the financial services industry and its members, including us, to continue to be affected by the significant uncertainty over the scope and content of regulatory reform in 2019 and beyond. The uncertainty about the future US regulatory agenda, which includes a variety of proposals to change existing regulations or the approach to regulation of the financial industry and potential changes in regulation following a UK withdrawal from the EU and the results of national elections in Europe may result in significant changes in the regulatory direction and policies applicable to us.
Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect our results of operations.
Despite our best efforts to comply with applicable regulations, a number of risks remain, particularly in areas where applicable regulations may be unclear or inconsistent among jurisdictions or where regulators or international bodies,

organizations or unions revise their previous guidance or courts overturn previous rulings. Additionally, authorities in many jurisdictions have the power to bring administrative or judicial proceedings against us, which could result in, among other things, suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially adversely affect our results of operations and seriously harm our reputation.
> Refer to "Regulation and supervision" for a description of our regulatory regime and a summary of some of the significant regulatory and government reform proposals affecting the financial services industry as well as to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

Swiss resolution proceedings and resolution planning requirements may affect our shareholders and creditors

Pursuant to Swiss banking laws, FINMA has broad powers and discretion in the case of resolution proceedings with respect to a Swiss bank, such as Credit Suisse AG or Credit Suisse (Schweiz) AG, and to a Swiss parent company of a financial group, such as Credit Suisse Group AG. These broad powers include the power to open restructuring proceedings with respect to Credit Suisse AG, Credit Suisse (Schweiz) AG or Credit Suisse Group AG and, in connection therewith, cancel the outstanding equity of the entity subject to such proceedings, convert such entity's debt instruments and other liabilities into equity and/or cancel such debt instruments and other liabilities, in each case, in whole or in part, and stay (for a maximum of two business days) certain rights under contracts to which such entity is a party, as well as the power to order protective measures, including the deferment of payments, and institute liquidation proceedings with respect to Credit Suisse AG, Credit Suisse (Schweiz) AG or Credit Suisse Group AG. The scope of such powers and discretion and the legal mechanisms that would be utilized are subject to development and interpretation.

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

> Refer to "Recent regulatory developments and proposals – Switzerland" and "Regulatory framework – Switzerland – Resolution regime" in Regulation and supervision for a description of the current resolution regime under Swiss banking laws as it applies to Credit Suisse AG, Credit Suisse (Schweiz) AG and Credit Suisse Group AG.

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

Under Swiss regulatory capital rules, we are required to issue a significant amount of contingent capital instruments, certain of which would convert into common equity upon the occurrence of specified triggering events, including our CET1 ratio falling below prescribed thresholds (7% in the case of high-trigger instruments), or a determination by FINMA that conversion is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent. As of December 31, 2018, we had 2,550.6 million common shares outstanding and we had issued in the aggregate an equivalent of CHF 1.5 billion in principal amount of such contingent convertible capital instruments, and we may issue more such contingent convertible capital instruments in the future. The conversion of some or all of our contingent convertible capital instruments due to the occurrence of any of such triggering events would result in the dilution of the ownership interests of our then existing shareholders, which dilution could be substantial. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of our ordinary shares.

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

Changes in monetary policy are beyond our control and difficult to predict

We are affected by the monetary policies adopted by the central banks and regulatory authorities of Switzerland, the US and other countries. The actions of the SNB and other central banking authorities directly impact our cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments we hold and the competitive and operating environment for the financial services industry. Many central banks, including the Fed, have implemented significant changes to their monetary policy or have experienced significant changes in their management and may implement or experience further changes. We cannot predict whether these changes will have a material adverse effect on us or our operations. In addition, changes in monetary policy may affect the credit quality of our customers. Any changes in monetary policy are beyond our control and difficult to predict.

Legal restrictions on our clients may reduce the demand for our services

We may be materially affected not only by regulations applicable to us as a financial services company, but also by regulations and changes in enforcement practices applicable to our clients. Our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives and other governmental regulations and policies, and changes in the interpretation or enforcement of existing laws and rules that affect business and the financial markets. For example, focus on tax compliance and changes in enforcement practices could lead to further asset outflows from our private banking businesses.

Competition

We face intense competition

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

Our competitive position could be harmed if our reputation is damaged

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

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

We must recruit and retain highly skilled employees

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

We face competition from new trading technologies

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

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Operating environment

Global economic growth decelerated in 2018 as the year progressed. Global equity markets depreciated in the final quarter and ended the year lower and equity market volatility increased significantly. The US dollar outperformed against major currencies in 2018.

Economic environment

Global economic growth was strong at the start of 2018, but falling business surveys and weaker manufacturing data across a range of countries showed decelerating growth as the year progressed. The US economy outperformed the rest of the world, with growth supported by fiscal stimulus and strong private sector income. US core inflation remained close to its 2% target. In the eurozone, economic momentum slowed significantly and core inflation remained subdued. Chinese economic data suggested weaker domestic demand, particularly in the fourth quarter of 2018, despite policy stimulus measures implemented throughout the year. In a number of emerging economies, tighter financial conditions, trade tensions and domestic political turbulence caused growth to slow.

Global monetary policy tightened in 2018. The US Federal Reserve (Fed) raised the target range for the federal funds rate by 25 basis points in every quarter of 2018, finishing the year at 2.25-2.5%. The European Central Bank (ECB) ended its asset purchase program, but left interest rates unchanged. The Swiss National Bank (SNB) kept policy rates unchanged. Elsewhere in developed markets, the Bank of Canada, the Bank of England, and the central banks of Sweden and Norway all raised policy rates in 2018. In emerging markets, a growing number of central banks tightened monetary policy, including in Mexico and South Korea. Brazil was the exception as rates ended the year at a lower level than where they started.

Global equities corrected significantly in the fourth quarter of 2018 on mounting economic growth concerns, finishing 2018 in negative territory and reversing the gains made in the first nine months of the year. Despite strong earnings in the US, global equities lost more than 7% in 2018 as trade tensions and other political uncertainties led to significant declines from previously elevated valuation levels. Among regions, US and Australian equities outperformed, while European, Japanese, and emerging market equities lagged significantly (refer to the charts under “Equity markets”). Among sectors, healthcare was the top performer and the only sector with positive returns. Financials, materials, energy, and industrials were the bottom performers in 2018 as weaker global economic momentum, a flatter US Treasury yield curve, declining commodity prices and political risks weighed on these sectors. Equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), trended higher in 2018 reversing last year’s historically low levels. The Credit Suisse Hedge Fund Index declined 3% in 2018.

In fixed income, US dollar rates ended the year higher given the monetary tightening by the Fed during 2018. In the fourth quarter of 2018, the USD yield curve began to partially invert as a result of a more cautious outlook on economic growth (refer to the charts under "Yield curves"). For the euro, yields generally decreased and for the Swiss franc, the yield curve steepened. For global fixed income investment grade bonds (including both government and credit), the year ended with a positive performance of approximately 1.5% in US dollar hedged terms. In credits, spreads generally widened from the historically tight level at the beginning of the year (refer to the charts under "Credit spreads"). Emerging market bonds and convertible bonds were the weakest fixed income segments in 2018.

Among major currencies, the US dollar was one of the strongest currencies in 2018. It appreciated from weak levels at the beginning of 2018, and benefited from the continued tightening of US monetary policy and from global risk aversion. The euro depreciated, despite the tapering of quantitative easing by the ECB, as economic momentum slowed and political risks weighed on the currency, particularly following the Italian elections. The Swiss franc also depreciated against the US dollar over the year, but appreciated against the euro as economic and political risks in the eurozone dominated for large parts of the year. The British pound was particularly under pressure in 2018, as uncertainty around the process of the UK withdrawal from the EU led to a deterioration in market sentiment and an increase in volatility. Most emerging market currencies weakened significantly against the US dollar in 2018, particularly the Argentine peso and the Turkish lira. The Russian ruble, the Brazilian real and the South African rand also weakened. The Mexican peso, however, held up relatively well against the US dollar in 2018.

The Credit Suisse Commodities Benchmark ended the year with a negative return of more than 11%, after substantial gains at the beginning of 2018. Energy saw the most pronounced reversal as the sector changed from being the clear outperformer up until the end of the third quarter of 2018 to being among the worst performing segments in the fourth quarter of 2018 after oil and gas prices plunged. Demand concerns and a stronger than expected supply contributed to this weakness. Only industrial metals, which are particularly sensitive to growth and trade policies, fared worse on a full-year comparison. Precious metals were also down for the year amid a strong US dollar. Agricultural prices also declined.

Market volumes (growth in % year on year)

2018	Global	Europe
Equity trading volume [1]	9	5
Announced mergers and acquisitions [2]	19	31
Completed mergers and acquisitions [2]	13	22
Equity underwriting [2]	(14)	(34)
Debt underwriting [2]	(17)	(7)
Syndicated lending – investment grade [2]	31	–

1
London Stock Exchange, Borsa Italiana, Deutsche Börse and BME. Global also includes ICE and NASDAQ.
2
Dealogic.

Sector environment

World bank stocks had a difficult year and underperformed global equity markets in 2018. European bank stocks underperformed world bank stocks in particular in the second and third quarter of 2018. At the end of 2018, world bank stocks traded more than 17% lower compared to 2017 (refer to the charts under “Equity markets”).

In private banking, the industry has experienced a long-term fundamental growth trend fueled by economic growth and a generally supportive investment environment despite a market correction led by equity markets in the fourth quarter of 2018. Against these supportive market trends, challenges included political instability, worry over the threat from greater protectionism among the largest trade partners and the uncertainty over the impact of central banks’ withdrawal from a policy of quantitative easing. In addition, the private banking sector continued to face pressure as it adapts to structural and regulatory changes while pursuing new opportunities and efficiencies arising from digital technology.

In investment banking, global equity trading volumes increased 9% compared to 2017. Global announced mergers & acquisitions (M&A) volumes increased 19% and announced M&A in Europe increased 31%. Global completed M&A volumes increased 13%. In Europe, completed M&A volumes increased 22%. Global equity underwriting volumes decreased 14% and European volumes decreased 34%. Global debt underwriting decreased 17%. US fixed income trading volumes increased, mainly driven by an increase in treasury volumes.

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Credit Suisse

In 2018, we recorded net income attributable to shareholders of CHF 2,024 million. Return on equity and return on tangible equity were 4.7% and 5.4%, respectively. As of the end of 2018, our CET1 ratio was 12.6%.

Results

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net interest income	7,009	6,557	7,562	7	(13)
Commissions and fees	11,890	11,817	11,092	1	7
Trading revenues [1]	624	1,317	313	(53)	321
Other revenues	1,397	1,209	1,356	16	(11)
Net revenues	**20,920**	**20,900**	**20,323**	0	3
Provision for credit losses	**245**	**210**	**252**	17	(17)
Compensation and benefits	9,620	10,367	10,652	(7)	(3)
General and administrative expenses	5,798	6,645	9,690	(13)	(31)
Commission expenses	1,259	1,430	1,455	(12)	(2)
Restructuring expenses	626	455	540	38	(16)
Total other operating expenses	7,683	8,530	11,685	(10)	(27)
Total operating expenses	**17,303**	**18,897**	**22,337**	(8)	(15)
Income/(loss) before taxes	**3,372**	**1,793**	**(2,266)**	88	–
Income tax expense	1,361	2,741	441	(50)	–
Net income/(loss)	**2,011**	**(948)**	**(2,707)**	–	(65)
Net income/(loss) attributable to noncontrolling interests	(13)	35	3	–	–
Net income/(loss) attributable to shareholders	**2,024**	**(983)**	**(2,710)**	–	(64)
Statement of operations metrics (%)					
Return on regulatory capital	7.4	3.9	(4.7)	–	–
Cost/income ratio	82.7	90.4	109.9	–	–
Effective tax rate	40.4	152.9	(19.5)	–	–
Earnings per share (CHF)					
Basic earnings/(loss) per share	0.79	(0.41)	(1.27)	–	(68)
Diluted earnings/(loss) per share	0.77	(0.41)	(1.27)	–	(68)
Return on equity (%)					
Return on equity	4.7	(2.3)	(6.1)	–	–
Return on tangible equity [2]	5.4	(2.6)	(6.9)	–	–
Balance sheet statistics (CHF million)					
Total assets	768,916	796,289	819,861	(3)	(3)
Risk-weighted assets [3]	284,582	271,680	268,045	5	1
Leverage exposure [3]	881,386	916,525	950,763	(4)	(4)
Number of employees (full-time equivalents)					
Number of employees	45,680	46,840	47,170	(2)	(1)

1

Represent revenues on a product basis which are not representative of business results within our business segments as segment results utilize financial instruments across various product types. In the fourth quarter of 2018, we were involved in a tender offer of an issuer with respect to its own common shares that resulted in negative trading revenues, offset by positive net interest income as a result of a related dividend distribution by the same issuer.

2
Based on tangible shareholders' equity, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity as presented in our balance sheet. Management believes that the return on tangible equity is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired.
3
Disclosed on a look-through basis.
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Results summary

2018 results

In 2018, Credit Suisse reported net income attributable to shareholders of CHF 2,024 million compared to a net loss attributable to shareholders of CHF 983 million in 2017. The 2017 results included income tax expenses of CHF 2,741 million, mainly reflecting the re-assessment of deferred tax assets with an associated tax charge of CHF 2.3 billion, primarily resulting from a reduction in the US federal corporate tax rate following the enactment of the Tax Cuts and Jobs Act in the US during the fourth quarter of 2017. In 2018, Credit Suisse reported income before taxes of CHF 3,372 million compared to CHF 1,793 million in 2017 and adjusted income before taxes of CHF 4,194 million compared to CHF 2,762 million in 2017.

2017 results

In 2017, Credit Suisse reported a net loss attributable to shareholders of CHF 983 million compared to a net loss attributable to shareholders of CHF 2,710 million in 2016. The 2017 results included income tax expenses of CHF 2,741 million, mainly reflecting the re-assessment of deferred tax assets due to the US tax reform. The 2016 results included net litigation provisions of CHF 2,986 million, primarily relating to the settlement with the US Department of Justice (DOJ) regarding our legacy residential mortgage-backed securities (RMBS) business. In 2017, Credit Suisse reported income before taxes of CHF 1,793 million and an adjusted income before taxes of CHF 2,762 million.

2018 results details

Net revenues

Compared to 2017, net revenues of CHF 20,920 million were stable, primarily reflecting higher net revenues in International Wealth Management and Swiss Universal Bank and lower negative net revenues in the Strategic Resolution Unit, partially offset by lower net revenues in Global Markets and Asia Pacific. The increase in net revenues in International Wealth Management reflected higher revenues across all revenue categories. The increase in net revenues in Swiss Universal Bank was mainly due to higher recurring commissions and fees, an increase in other revenues, reflecting a gain on the sale of its investment in Euroclear and gains on the sale of real estate, and slightly higher net interest income. The decrease in negative net revenues in the Strategic Resolution Unit was primarily driven by lower overall funding costs and lower exit costs, partially offset by a reduction in fee-based revenues as a result of business exits and higher negative valuation adjustments. The decrease in net revenues in Global Markets primarily reflected lower results across fixed income trading and underwriting and reduced cash equities revenues due to less favorable market conditions, partially offset by increased International Trading Solutions (ITS) performance due to substantially higher equity derivatives revenues. The decrease in net revenues in Asia Pacific was driven by lower revenues in its Markets business across all revenue categories.

Provision for credit losses

In 2018, we recorded provision for credit losses of CHF 245 million, primarily reflecting provisions of CHF 126 million in Swiss Universal Bank, CHF 35 million in International Wealth Management and CHF 35 million in Asia Pacific.

Total operating expenses

We reported total operating expenses of CHF 17,303 million in 2018, a decrease of 8% compared to 2017, primarily due to a 7% decrease in compensation and benefits and a 13% decrease in general and administrative expenses. The decrease in compensation and benefits was mainly due to lower salaries and variable compensation. The decrease in general and administrative expenses was primarily due to lower professional services and lower litigation provisions.

Income tax expense

In 2018, we recorded income tax expense of CHF 1,361 million. The Credit Suisse effective tax rate was 40.4% in 2018, compared to 152.9% in 2017. The effective tax rate for 2018 mainly reflected the impact of the geographical mix of results, non-deductible funding costs and tax on own credit gains. Overall, net deferred tax assets decreased CHF 623 million to CHF 4,505 million during 2018, mainly driven by earnings.

US tax reform – Tax Cuts and Jobs Act

The US tax reform enacted on December 22, 2017 resulted in a reduction of the federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. The reform also introduced the US base erosion and anti-abuse tax (BEAT), effective as of January 1, 2018. It is broadly levied on tax deductions created by certain payments, e.g. for interest and services, to affiliated group companies outside the US, in the case where the calculated tax based on a modified taxable income exceeds the amount of ordinary federal corporate income taxes paid. The standard tax rates applicable under BEAT are 5% for 2018, 10% for 2019 until 2025 and 12.5% from 2026 onward. For certain banking entities, which management believes will include Credit Suisse, these rates are increased by 1% resulting in rates of 6% for 2018, 11% for 2019 until 2025 and 13.5% from 2026 onward. On the basis of the current analysis of the BEAT tax regime, following the draft regulations issued by the US Department of Treasury on December 13, 2018, Credit Suisse considers it as more likely than not that the Group will be subject to this regime in 2018. On this basis, CHF 65 million has been accrued in the fourth quarter of 2018 in relation to BEAT. The finalization of US BEAT regulations is expected to occur in 2019, at which point the above BEAT position for the tax year 2018 will need to be re-assessed. Prospectively, additional tax regulations of the US tax reform relating to interest deductibility may also impact Credit Suisse.

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

Subsequent event

In March 2019, the Group reached a tentative settlement related to an existing dispute. As a result, the Group increased its 2018 litigation provision by CHF 33 million in the Corporate & Institutional Banking business within the Swiss Universal Bank division and decreased its estimate of the aggregate range of reasonably possible losses not covered by existing provisions from zero to CHF 1.5 billion to zero to CHF 1.4 billion.

2017 results details

Net revenues

Compared to 2016, net revenues of CHF 20,900 million increased 3%, primarily reflecting higher net revenues in International Wealth Management and Investment Banking & Capital Markets and lower negative net revenues in the Strategic Resolution Unit, partially offset by lower net revenues in Swiss Universal Bank. The increase in net revenues in International Wealth Management was driven by higher recurring commissions and fees, higher transaction- and performance-based revenues and higher net interest income, partially offset by lower other revenues. The increase in net revenues in Investment Banking & Capital Markets was due to higher revenues from debt underwriting and equity underwriting, partially offset by lower revenues in advisory and other fees. The decrease in negative net revenues in the Strategic Resolution Unit was driven by lower negative valuation adjustments, a reduction in overall funding costs and lower exit losses primarily related to the sale of loan and financing portfolios, partially offset by a reduction in fee-based revenues as a result of accelerated business exits. The decrease in net revenues in Swiss Universal Bank was mainly due to gains on the sale of real estate in 2016 of CHF 366 million.

Provision for credit losses

In 2017, we recorded provision for credit losses of CHF 210 million, primarily reflecting provisions of CHF 75 million in Swiss Universal Bank, CHF 32 million in the Strategic Resolution Unit, CHF 31 million in Global Markets and CHF 30 million in Investment Banking & Capital Markets.

Total operating expenses

We reported total operating expenses of CHF 18,897 million in 2017, a decrease of 15% compared to 2016, primarily due to a 31% decrease in general and administrative expenses and a 3% decrease in compensation and benefits. The decrease in general and administrative expenses was primarily due to lower litigation provisions, mainly due to the settlements in 2016 with the DOJ and the National Credit Union Administration Board (NCUA) regarding our legacy RMBS business, and lower professional services fees. The decrease in compensation and benefits was mainly due to lower salaries and lower discretionary compensation expenses.

Income tax expense

In 2017, we recorded income tax expense of CHF 2,741 million. The Credit Suisse effective tax rate was 152.9% in 2017, compared to (19.5)% in 2016. The effective tax rate for 2017 mainly reflected the re-assessment of deferred tax assets, with an associated tax charge of CHF 2.3 billion primarily resulting from the US tax reform, the non-deductible penalty relating to the settlement with the New York State Department of Financial Services (DFS) relating to certain areas of our foreign exchange trading business and the impact from recognizing tax contingency accruals, partially offset by the impact of the geographical mix of results. Overall, net deferred tax assets decreased CHF 571 million to CHF 5,128 million during 2017, mainly driven by the re-assessment of deferred taxes, earnings and a foreign exchange impact, partially offset by the adoption of new accounting standards relating to intra-entity asset transfers rules and share-based payment. Net deferred tax assets on net operating losses increased CHF 35 million to CHF 2,213 million during 2017.

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Overview of Results

in / end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	Core Results	Strategic Resolution Unit	Credit Suisse
2018 (CHF million)									
Net revenues	**5,564**	**5,414**	**3,393**	**4,980**	**2,177**	**100**	**21,628**	**(708)**	**20,920**
Provision for credit losses	**126**	**35**	**35**	**24**	**24**	**0**	**244**	**1**	**245**
Compensation and benefits	1,887	2,303	1,503	2,296	1,249	128	9,366	254	9,620
Total other operating expenses	1,426	1,371	1,191	2,506	560	211	7,265	418	7,683
of which general and administrative expenses	1,097	1,029	887	1,773	467	160	5,413	385	5,798
of which restructuring expenses	101	115	61	242	84	2	605	21	626
Total operating expenses	**3,313**	**3,674**	**2,694**	**4,802**	**1,809**	**339**	**16,631**	**672**	**17,303**
Income/(loss) before taxes	**2,125**	**1,705**	**664**	**154**	**344**	**(239)**	**4,753**	**(1,381)**	**3,372**
Return on regulatory capital	16.8	30.7	12.0	1.2	10.9	–	11.0	–	7.4
Cost/income ratio	59.5	67.9	79.4	96.4	83.1	–	76.9	–	82.7
Total assets	224,301	91,835	99,809	211,530	16,156	104,411	748,042	20,874	768,916
Goodwill	615	1,544	1,506	463	638	0	4,766	0	4,766
Risk-weighted assets [1]	76,475	40,116	37,156	59,016	24,190	29,703	266,656	17,926	284,582
Leverage exposure [1]	255,480	98,556	106,375	245,664	40,485	105,247	851,807	29,579	881,386
2017 (CHF million)									
Net revenues	**5,396**	**5,111**	**3,504**	**5,551**	**2,139**	**85**	**21,786**	**(886)**	**20,900**
Provision for credit losses	**75**	**27**	**15**	**31**	**30**	**0**	**178**	**32**	**210**
Compensation and benefits	1,957	2,278	1,602	2,532	1,268	398	10,035	332	10,367
Total other operating expenses	1,599	1,455	1,158	2,538	472	423	7,645	885	8,530
of which general and administrative expenses	1,251	1,141	831	1,839	423	364	5,849	796	6,645

of which restructuring expenses	59	70	63	150	42	14	398	57	455
Total operating expenses	**3,556**	**3,733**	**2,760**	**5,070**	**1,740**	**821**	**17,680**	**1,217**	**18,897**
Income/(loss) before taxes	**1,765**	**1,351**	**729**	**450**	**369**	**(736)**	**3,928**	**(2,135)**	**1,793**
Return on regulatory capital	13.7	25.8	13.8	3.2	13.7	–	9.3	–	3.9
Cost/income ratio	65.9	73.0	78.8	91.3	81.3	–	81.2	–	90.4
Total assets	228,857	94,753	96,497	242,159	20,803	67,591	750,660	45,629	796,289
Goodwill	610	1,544	1,496	459	633	0	4,742	0	4,742
Risk-weighted assets [1]	65,572	38,256	31,474	58,858	20,058	23,849	238,067	33,613	271,680
Leverage exposure [1]	257,054	99,267	105,585	283,809	43,842	67,034	856,591	59,934	916,525
2016 (CHF million)									
Net revenues	**5,759**	**4,698**	**3,597**	**5,497**	**1,972**	**71**	**21,594**	**(1,271)**	**20,323**
Provision for credit losses	**79**	**20**	**26**	**(3)**	**20**	**(1)**	**141**	**111**	**252**
Compensation and benefits	2,031	2,168	1,665	2,688	1,218	270	10,040	612	10,652
Total other operating expenses	1,624	1,389	1,181	2,764	473	489	7,920	3,765	11,685
of which general and administrative expenses	1,281	1,096	836	2,038	443	406	6,100	3,590	9,690
of which restructuring expenses	60	54	53	217	28	7	419	121	540
Total operating expenses	**3,655**	**3,557**	**2,846**	**5,452**	**1,691**	**759**	**17,960**	**4,377**	**22,337**
Income/(loss) before taxes	**2,025**	**1,121**	**725**	**48**	**261**	**(687)**	**3,493**	**(5,759)**	**(2,266)**
Return on regulatory capital	16.5	23.3	13.7	0.4	10.7	–	8.5	–	(4.7)
Cost/income ratio	63.5	75.7	79.1	99.2	85.8	–	83.2	–	109.9
Total assets	228,363	91,083	97,221	239,700	20,784	62,413	739,564	80,297	819,861
Goodwill	623	1,612	1,546	476	656	0	4,913	0	4,913
Risk-weighted assets [1]	65,669	35,252	34,605	51,713	18,027	17,338	222,604	45,441	268,045
Leverage exposure [1]	252,889	94,092	108,926	284,143	45,571	59,374	844,995	105,768	950,763

1

Disclosed on a look-through basis.
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Regulatory capital

As of the end of 2018, our Bank for International Settlements (BIS) common equity tier 1 (CET1) ratio was 12.6% and our risk-weighted assets were CHF 284.6 billion.

The Swiss Financial Market Supervisory Authority FINMA (FINMA) imposed regulatory changes, primarily in respect of credit multipliers and banking book securitizations, which resulted in additional risk-weighted assets relating to credit risk of CHF 6.9 billion in 2018.

As a result of the significant reduction in the size of the Strategic Resolution Unit over the last two years, in the first quarter of 2018 we agreed with FINMA on a change to the methodology for the allocation of risk-weighted assets relating to operational risk to our businesses to reflect the changed portfolio in the Strategic Resolution Unit. Such risk-weighted assets relating to operational risk were reduced in the Strategic Resolution Unit by CHF 8.9 billion and allocated primarily to the Corporate Center, Global Markets, Investment Banking & Capital Markets and Asia Pacific.

As previously disclosed, Credit Suisse approached FINMA with a request to review the appropriateness of the level of the risk-weighted assets relating to operational risk in the Strategic Resolution Unit, given the progress in exiting businesses and reducing the size of the division over the last two years, with the aim of aligning reductions to the accelerated closure of the Strategic Resolution Unit by the end of 2018. In the first quarter of 2018, we concluded discussions with FINMA and reduced the level of risk-weighted assets relating to operational risk by CHF 2.5 billion, primarily in connection with the external transfer of our US private banking business, which was reflected in the Corporate Center.

In the first quarter of 2018, we realigned the allocation of high-quality liquid assets (HQLA) to the divisions to match their actual business usage in line with our internal risk management guidelines. Any excess HQLA held by legal entities above those levels for local regulatory purposes or economic requirements were allocated to the Corporate Center. HQLA allocated to the Corporate Center and Asia Pacific increased CHF 35.5 billion and CHF 5.0 billion, respectively, as a result of these measures and decreased CHF 13.8 billion, CHF 12.6 billion, CHF 6.7 billion, CHF 6.2 billion and CHF 1.2 billion in Swiss Universal Bank, Strategic Resolution Unit, International Wealth Management, Investment Banking & Capital Management and Global Markets, respectively.

> Refer to “Capital management” in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information.

Core Results

2018 results

In 2018, Core Results net revenues of CHF 21,628 million were stable compared to 2017, primarily reflecting lower net revenues in Global Markets and Asia Pacific, partially offset by higher net revenues in International Wealth Management and Swiss Universal Bank. Provision for credit losses was CHF 244 million, primarily related to Swiss Universal Bank, International Wealth Management and Asia Pacific. Total operating expenses of CHF 16,631 million decreased 6% compared to 2017, mainly reflecting a 7% decrease in compensation and benefits and an 7% decrease in general and administrative expenses, partially offset by a 52% increase in restructuring expenses. The decrease in compensation and benefits was primarily related to the Corporate Center, Global Markets and Asia Pacific. The decrease in general and administrative expenses was mainly related to the Corporate Center, Swiss Universal Bank and International Wealth Management. In 2018, we incurred CHF 605 million of restructuring expenses, primarily related to Global Markets, International Wealth Management, Swiss Universal Bank and Investment Banking & Capital Markets.

2017 results

In 2017, Core Results net revenues of CHF 21,786 million were stable compared to 2016, primarily reflecting higher net revenues in International Wealth Management and Investment Banking & Capital Markets, offset by lower net revenues in Swiss Universal Banking and Asia Pacific. Provision for credit losses was CHF 178 million, primarily reflecting net provisions of CHF 75 million in Swiss Universal Bank, CHF 31 million in Global Markets and CHF 30 million in Investment Banking & Capital Markets. Total operating expenses of CHF 17,680 million decreased slightly compared to 2016, mainly due to slightly lower general and administrative expenses.

Reconciliation of adjusted results

Adjusted results referred to in this document are non-GAAP financial measures that exclude goodwill impairment and certain other revenues and expenses included in our reported results. Management believes that adjusted results provide a useful presentation of our operating results for purposes of assessing our Group and divisional performance consistently over time, on a basis that excludes items that management does not consider representative of our underlying performance. Provided below is a reconciliation of our adjusted results to the most directly comparable US GAAP measures.

Reconciliation of adjusted results

in	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	Core Results	Strategic Resolution Unit	Credit Suisse
2018 (CHF million)									
Net revenues	**5,564**	**5,414**	**3,393**	**4,980**	**2,177**	**100**	**21,628**	**(708)**	**20,920**
Real estate gains	(21)	(2)	0	0	0	(4)	(27)	(1)	(28)
(Gains)/losses on business sales	(37)	(55)	0	0	0	21	(71)	0	(71)
Net revenues adjusted	**5,506**	**5,357**	**3,393**	**4,980**	**2,177**	**117**	**21,530**	**(709)**	**20,821**
Provision for credit losses	**126**	**35**	**35**	**24**	**24**	**0**	**244**	**1**	**245**
Total operating expenses	**3,313**	**3,674**	**2,694**	**4,802**	**1,809**	**339**	**16,631**	**672**	**17,303**
Restructuring expenses	(101)	(115)	(61)	(242)	(84)	(2)	(605)	(21)	(626)
Major litigation provisions	(37)	0	(79)	(10)	(1)	0	(127)	(117)	(244)
Expenses related to business sales	0	(47)	0	0	0	0	(47)	(4)	(51)
Total operating expenses adjusted	**3,175**	**3,512**	**2,554**	**4,550**	**1,724**	**337**	**15,852**	**530**	**16,382**
Income/(loss) before taxes	**2,125**	**1,705**	**664**	**154**	**344**	**(239)**	**4,753**	**(1,381)**	**3,372**
Total adjustments	80	105	140	252	85	19	681	141	822
Adjusted income/(loss) before taxes	**2,205**	**1,810**	**804**	**406**	**429**	**(220)**	**5,434**	**(1,240)**	**4,194**
Adjusted return on regulatory capital (%)	17.4	32.6	14.5	3.1	13.6	–	12.5	–	9.2
2017 (CHF million)									
Net revenues	**5,396**	**5,111**	**3,504**	**5,551**	**2,139**	**85**	**21,786**	**(886)**	**20,900**
(Gains)/losses on business sales	0	28	0	0	0	23	51	(38)	13
Net revenues adjusted	**5,396**	**5,139**	**3,504**	**5,551**	**2,139**	**108**	**21,837**	**(924)**	**20,913**
Provision for credit losses	**75**	**27**	**15**	**31**	**30**	**0**	**178**	**32**	**210**
Total operating expenses	**3,556**	**3,733**	**2,760**	**5,070**	**1,740**	**821**	**17,680**	**1,217**	**18,897**

Restructuring expenses	(59)	(70)	(63)	(150)	(42)	(14)	(398)	(57)	(455)
Major litigation provisions	(49)	(48)	0	0	0	(127)	(224)	(269)	(493)
Expenses related to business sales	0	0	0	(8)	0	0	(8)	0	(8)
Total operating expenses adjusted	**3,448**	**3,615**	**2,697**	**4,912**	**1,698**	**680**	**17,050**	**891**	**17,941**
Income/(loss) before taxes	**1,765**	**1,351**	**729**	**450**	**369**	**(736)**	**3,928**	**(2,135)**	**1,793**
Total adjustments	108	146	63	158	42	164	681	288	969
Adjusted income/(loss) before taxes	**1,873**	**1,497**	**792**	**608**	**411**	**(572)**	**4,609**	**(1,847)**	**2,762**
Adjusted return on regulatory capital (%)	14.6	28.6	15.0	4.3	15.2	–	10.9	–	6.0
2016 (CHF million)									
Net revenues	**5,759**	**4,698**	**3,597**	**5,497**	**1,972**	**71**	**21,594**	**(1,271)**	**20,323**
Real estate gains	(366)	(54)	0	0	0	0	(420)	(4)	(424)
(Gains)/losses on business sales	0	0	0	0	0	52	52	6	58
Net revenues adjusted	**5,393**	**4,644**	**3,597**	**5,497**	**1,972**	**123**	**21,226**	**(1,269)**	**19,957**
Provision for credit losses	**79**	**20**	**26**	**(3)**	**20**	**(1)**	**141**	**111**	**252**
Total operating expenses	**3,655**	**3,557**	**2,846**	**5,452**	**1,691**	**759**	**17,960**	**4,377**	**22,337**
Restructuring expenses	(60)	(54)	(53)	(217)	(28)	(7)	(419)	(121)	(540)
Major litigation provisions	(19)	12	0	(7)	0	0	(14)	(2,693)	(2,707)
Total operating expenses adjusted	**3,576**	**3,515**	**2,793**	**5,228**	**1,663**	**752**	**17,527**	**1,563**	**19,090**
Income/(loss) before taxes	**2,025**	**1,121**	**725**	**48**	**261**	**(687)**	**3,493**	**(5,759)**	**(2,266)**
Total adjustments	(287)	(12)	53	224	28	59	65	2,816	2,881
Adjusted income/(loss) before taxes	**1,738**	**1,109**	**778**	**272**	**289**	**(628)**	**3,558**	**(2,943)**	**615**
Adjusted return on regulatory capital (%)	14.2	23.1	14.8	2.0	11.9	–	8.6	–	1.3

Adjusted return on regulatory capital is calculated using adjusted results, applying the same methodology used to calculate return on regulatory capital.

Core Results by business activity

in	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	2018 Core Results	2017 Core Results	2016 Core Results
Related to private banking (CHF million)									
Net revenues	2,989	3,890	1,612	–	–	–	8,491	8,107	8,003
of which net interest income	1,717	1,568	628	–	–	–	3,913	3,739	3,571
of which recurring	835	1,227	420	–	–	–	2,482	2,393	2,232
of which transaction-based	397	1,054	563	–	–	–	2,014	1,972	1,801
Provision for credit losses	30	35	6	–	–	–	71	73	91
Total operating expenses	1,899	2,522	1,058	–	–	–	5,479	5,668	5,615
Income before taxes	**1,060**	**1,333**	**548**	**–**	**–**	**–**	**2,941**	**2,366**	**2,297**
Related to corporate & institutional banking									
Net revenues	2,575	–	–	–	–	–	2,575	2,499	2,501
of which net interest income	1,229	–	–	–	–	–	1,229	1,226	1,223
of which recurring	680	–	–	–	–	–	680	634	626
of which transaction-based	699	–	–	–	–	–	699	694	702
Provision for credit losses	96	–	–	–	–	–	96	33	40
Total operating expenses	1,414	–	–	–	–	–	1,414	1,502	1,531
Income before taxes	**1,065**	**–**	**–**	**–**	**–**	**–**	**1,065**	**964**	**930**
Related to investment banking									
Net revenues	–	–	1,781	4,980	2,177	–	8,938	9,587	9,692
of which fixed income sales and trading	–	–	244	2,649	–	–	2,893	3,184	3,130
of which equity sales and trading	–	–	859	1,709	–	–	2,568	2,670	3,319
of which underwriting and advisory [1]	–	–	678	1,047	2,198	–	3,923	4,016	3,582
Provision for credit losses	–	–	29	24	24	–	77	72	11
Total operating expenses	–	–	1,636	4,802	1,809	–	8,247	8,508	9,008
Income before taxes	**–**	**–**	**116**	**154**	**344**	**–**	**614**	**1,007**	**673**

Related to asset management									
Net revenues	–	1,524	–	–	–	–	1,524	1,508	1,327
Total operating expenses	–	1,152	–	–	–	–	1,152	1,181	1,047
Income before taxes	**–**	**372**	**–**	**–**	**–**	**–**	**372**	**327**	**280**
Related to corporate center									
Net revenues	–	–	–	–	–	100	100	85	71
Provision for credit losses	–	–	–	–	–	0	0	0	(1)
Total operating expenses	–	–	–	–	–	339	339	821	759
Loss before taxes	**–**	**–**	**–**	**–**	**–**	**(239)**	**(239)**	**(736)**	**(687)**
Total									
Net revenues	5,564	5,414	3,393	4,980	2,177	100	21,628	21,786	21,594
Provision for credit losses	126	35	35	24	24	0	244	178	141
Total operating expenses	3,313	3,674	2,694	4,802	1,809	339	16,631	17,680	17,960
Income/(loss) before taxes	**2,125**	**1,705**	**664**	**154**	**344**	**(239)**	**4,753**	**3,928**	**3,493**

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

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Employees and other headcount

As of December 31, 2018, we had 45,680 employees worldwide, of which 15,840 were in Switzerland and 29,840 were abroad.

The number of employees decreased by 1,160 compared to the end of 2017. The decrease primarily reflected the decreases in Swiss Universal Bank, Global Markets and the Strategic Resolution Unit as a result of our cost efficiency measures and the right-sizing of business activities, partially offset by an increase in Asia Pacific, primarily due to contractor conversions and strategic hiring. The number of outsourced roles, contractors and consultants decreased by 2,020 compared to the end of 2017.

Employees and other headcount

end of	2018	2017
Employees		
Swiss Universal Bank	11,950	12,600
International Wealth Management	10,210	10,250
Asia Pacific	7,440	7,230
Global Markets	11,350	11,740
Investment Banking & Capital Markets	3,100	3,190
Strategic Resolution Unit	1,320	1,530
Corporate Center	310	300
Total employees	**45,680**	**46,840**
of which Switzerland	15,840	16,490
of which all other regions	29,840	30,350
Other headcount		
Outsourced roles, contractors and consultants	19,490	21,510
Total employees and other headcount	65,170	68,350

Based on full-time equivalents.

Other information

Format of presentation

In managing our business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, specific individual revenue categories in isolation may not be indicative of performance. Certain reclassifications have been made to prior periods to conform to the current presentation.

Accounting developments

In 2018, the Group adopted Accounting Standard Update 2014-09 “Revenue from Contracts with Customers”, a new US generally accepted accounting principles (US GAAP) standard pertaining to revenue recognition, which was implemented using the modified retrospective approach with a transition adjustment reducing retained earnings by CHF 45 million, net of tax, without restating comparative periods. The new revenue recognition criteria require a change in the gross and net presentation of certain revenues and expenses, including in relation to certain underwriting and brokerage transactions, with most of the impact reflected in our Investment Banking & Capital Markets, Global Markets and Asia Pacific divisions. Both revenues and expenses increased CHF 59 million in Investment Banking & Capital Markets and CHF 32 million in Global Markets and decreased CHF 26 million in Asia Pacific.

In 2018, the Group also adopted a new US GAAP standard pertaining to the presentation of net periodic benefit costs of pension and other post-retirement costs, which was implemented retrospectively by restating comparative periods. The new presentation criteria require the service cost component of the net periodic benefit cost to be presented as a compensation expense while other components are to be presented as non-compensation expenses.

International Trading Solutions

As previously disclosed, effective July 1, 2017 the Global Markets division entered into an agreement with Swiss Universal Bank and International Wealth Management whereby it provides centralized trading and sales services across the three divisions. These services are now managed as a single business within the Global Markets division, referred to as ITS. Effective in the first quarter of 2018, the reporting according to the agreement was updated.

With a continued focus on developing our ITS business and to more closely reflect levels of client usage and the downsizing of our wholesale US rates business, we recalibrated the risk-weighted assets and leverage exposure allocations from ITS in Global Markets to Swiss Universal Bank and International Wealth Management.

Return on regulatory capital

Credit Suisse measures firm-wide returns against total shareholders' equity and tangible shareholders' equity (a non-GAAP financial measure). In addition, it also measures the efficiency of the firm and its divisions with regard to the usage of capital as determined by the minimum requirements set by regulators. This regulatory capital is calculated as the worst of 10% of risk-weighted assets and 3.5% of leverage exposure. Return on regulatory capital is calculated using income/(loss) after tax and assumes a tax rate of 30% and capital allocated based on the worst of 10% of average risk-weighted assets and 3.5% of average leverage exposure. These percentages are used in the calculation in order to reflect the 2019 fully phased-in Swiss regulatory minimum requirements for Basel III CET1 capital and leverage ratio. For Global Markets and Investment Banking & Capital Markets, return on regulatory capital is based on US dollar denominated numbers. Adjusted return on regulatory capital is calculated using adjusted results, applying the same methodology used to calculate return on regulatory capital.

Capital distribution proposal

Our Board of Directors will propose to the shareholders at the Annual General Meeting on April 26, 2019 a distribution of CHF 0.2625 per share out of capital contribution reserves for the financial year 2018. The distribution will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The distribution will be payable in cash.

Presentation currency

We are evaluating the appropriateness of a transition of the Group's presentation currency from Swiss francs to US dollars. We are currently analyzing the potential benefits and impacts of such a transition, which will be discussed with our Board of Directors in due course.

Potential replacement of interbank offered rates

There is significant international and regulatory pressure to replace the current interbank offered rates benchmarks (IBORs), including LIBOR, with alternative reference rates. In December 2018, the Swiss Financial Market Supervisory Authority FINMA (FINMA) referenced the legal risks, valuation risks and risks in relation to operational readiness involved and will further discuss these risks with the institutions it supervises. Additionally, from January 2019 onward, FINMA is contacting the supervised institutions that are particularly affected and is reviewing how these risks are identified, mitigated and monitored.

We have a significant number of liabilities and assets linked to certain indices, such as IBORs. There is ongoing work through numerous industry bodies and working groups to determine replacement benchmarks, including assessing the practicability of using alternative rates. We have established a global governance structure and change program to manage the transition.

Compensation and benefits

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

Our shareholders' equity reflects the effect of share-based compensation. Share-based compensation expense (which is generally based on fair value at the time of grant) reduces equity; however, the recognition of the obligation to deliver the shares increases equity by a corresponding amount. Equity is generally unaffected by the granting and vesting of share-based awards and by the settlement of these awards through the issuance of shares from approved conditional capital. The Group may issue shares from conditional capital to meet its obligations to deliver share-based compensation awards. If Credit Suisse purchases shares from the market to meet its obligation to employees, these purchased treasury shares reduce equity by the amount of the purchase price.

> Refer to "Compensation" in V – Compensation for further information.

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

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

Allocations and funding

Revenue sharing

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

Cost allocation

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

Funding

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

> Refer to Note 4 – Segment information in VI – Consolidated financial statements – Credit Suisse Group for further information.

Fair valuations

Fair value can be a relevant measurement for financial instruments when it aligns the accounting for these instruments with how we manage our business. The levels of the fair value hierarchy as defined by the relevant accounting guidance are not a measurement of economic risk, but rather an indication of the observability of prices or valuation inputs.

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

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

In addition, the Group holds financial instruments for which no prices are available and which have few or no observable inputs (level 3). For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management’s own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives, including interest rate, foreign exchange, equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and collateralized debt obligation (CDO) securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds.

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

As of the end of 2018, 37% and 25% of our total assets and total liabilities, respectively, were measured at fair value. The majority of our level 3 assets are recorded in our investment banking businesses. Total assets at fair value recorded as level 3 instruments decreased CHF 0.3 billion to CHF 16.3 billion as of the end of 2018, primarily reflecting net settlements, mainly in loans, loans held-for-sale and investment securities, partially offset by net transfers, mainly in loans, and realized/unrealized gains/(losses), mainly in trading assets and investments securities. As of the end of 2018, these assets comprised 2% of total assets and 6% of total assets measured at fair value, stable compared to the end of 2017.

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

Group and Bank differences

The business of the Bank is substantially the same as the business of Credit Suisse Group, and substantially all of the Bank's operations are conducted through the Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and, until December 31, 2018, the Strategic Resolution Unit segments. Certain Corporate Center activities of the Group, such as hedging activities relating to share-based compensation awards, are not applicable to the Bank. Certain other assets, liabilities and results of operations, primarily relating to Credit Suisse Services AG (our Swiss service company) and its subsidiary, are managed as part of the activities of the Group's segments. However, they are legally owned by the Group and are not part of the Bank's consolidated financial statements.

> Refer to "Note 41 – Subsidiary guarantee information" in VI – Consolidated financial statements – Credit Suisse Group for further information on the Bank.

Comparison of consolidated statements of operations

			Group			Bank
in	2018	2017	2016	2018	2017	2016
Statements of operations (CHF million)						
Net revenues	20,920	20,900	20,323	20,820	20,965	20,393
Provision for credit losses	245	210	252	245	210	252
Total operating expenses	17,303	18,897	22,337	17,719	19,202	22,630
Income/(loss) before taxes	**3,372**	**1,793**	**(2,266)**	**2,856**	**1,553**	**(2,489)**
Income tax expense	1,361	2,741	441	1,134	2,781	400
Net income/(loss)	**2,011**	**(948)**	**(2,707)**	**1,722**	**(1,228)**	**(2,889)**
Net income/(loss) attributable to noncontrolling interests	(13)	35	3	(7)	27	(6)
Net income/(loss) attributable to shareholders	**2,024**	**(983)**	**(2,710)**	**1,729**	**(1,255)**	**(2,883)**

Comparison of consolidated balance sheets

		Group		Bank
end of	2018	2017	2018	2017
Balance sheet statistics (CHF million)				
Total assets	768,916	796,289	772,069	798,372
Total liabilities	724,897	754,100	726,075	754,822

Capitalization and indebtedness

		Group		Bank
end of	2018	2017	2018	2017
Capitalization and indebtedness (CHF million)				
Due to banks	15,220	15,413	15,220	15,411
Customer deposits	363,925	361,162	365,263	362,303
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	24,623	26,496	24,623	26,496
Long-term debt	154,308	173,032	153,433	172,042
Other liabilities	166,821	177,997	167,536	178,570
Total liabilities	**724,897**	**754,100**	**726,075**	**754,822**
Total equity	44,019	42,189	45,994	43,550
Total capitalization and indebtedness	**768,916**	**796,289**	**772,069**	**798,372**

Dividends from the Bank to the Group for the financial year	2018	2017	2016	2015	2014
Dividends (CHF million)					
Dividends	10[1]	10	10	10	10

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The Bank’s total share capital is fully paid and consisted of 4,399,680,200 registered shares as of December 31, 2018. Dividends are determined in accordance with Swiss law and the Bank's articles of incorporation. Proposal of the Board of Directors to the annual general meeting of the Bank.

BIS capital metrics

		Group		Bank
end of	2018	2017	2018	2017
Capital and risk-weighted assets (CHF million)				
CET1 capital	35,824	36,711	38,915	38,433
Tier 1 capital	46,040	51,482	48,231	52,378
Total eligible capital	50,239	56,696	52,431	57,592
Risk-weighted assets	284,582	272,815	286,081	272,720
Capital ratios (%)				
CET1 ratio	12.6	13.5	13.6	14.1
Tier 1 ratio	16.2	18.9	16.9	19.2
Total capital ratio	17.7	20.8	18.3	21.1

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Swiss Universal Bank

In 2018, we reported income before taxes of CHF 2,125 million and net revenues of CHF 5,564 million. Income before taxes increased 20% compared to 2017, reflecting lower total operating expenses and slightly higher net revenues.

Results summary

2018 results

In 2018, income before taxes of CHF 2,125 million increased 20% compared to 2017. Net revenues of CHF 5,564 million increased slightly compared to 2017, mainly due to higher recurring commissions and fees, the increase in other revenues, reflecting a gain on the sale of our investment in Euroclear of CHF 37 million and gains on the sale of real estate of CHF 21 million, and slightly higher net interest income. Higher recurring commissions and fees were mainly driven by higher wealth structuring solution fees, higher fees from lending activities and increased investment advisory fees. Slightly higher net interest income reflected higher deposit margins on slightly lower average deposit volumes and stable loan margins on stable average loan volumes. Transaction-based revenues were stable. Provision for credit losses was CHF 126 million in 2018 on a net loan portfolio of CHF 168.4 billion. Total operating expenses decreased 7%, primarily driven by lower professional and contractor services fees, decreased allocated corporate function costs and lower salary expenses, partially offset by higher restructuring expenses, reflecting targeted headcount reductions and charges relating to reductions in office space. Adjusted income before taxes of CHF 2,205 million increased 18% compared to 2017.

Divisional results

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**5,564**	**5,396**	**5,759**	3	(6)
Provision for credit losses	**126**	**75**	**79**	68	(5)
Compensation and benefits	1,887	1,957	2,031	(4)	(4)
General and administrative expenses	1,097	1,251	1,281	(12)	(2)
Commission expenses	228	289	283	(21)	2
Restructuring expenses	101	59	60	71	(2)
Total other operating expenses	1,426	1,599	1,624	(11)	(2)
Total operating expenses	**3,313**	**3,556**	**3,655**	(7)	(3)
Income before taxes	**2,125**	**1,765**	**2,025**	20	(13)
Statement of operations metrics (%)					
Return on regulatory capital	16.8	13.7	16.5	–	–
Cost/income ratio	59.5	65.9	63.5	–	–
Number of employees and relationship managers					
Number of employees (full-time equivalents)	11,950	12,600	13,140	(5)	(4)
Number of relationship managers	1,780	1,840	1,970	(3)	(7)

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Divisional results (continued)

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Net revenues (CHF million)					
Private Clients	2,989	2,897	3,258	3	(11)
Corporate & Institutional Clients	2,575	2,499	2,501	3	0
Net revenues	**5,564**	**5,396**	**5,759**	3	(6)
Net revenue detail (CHF million)					
Net interest income	2,946	2,896	2,884	2	0
Recurring commissions and fees	1,515	1,446	1,446	5	0
Transaction-based revenues	1,096	1,107	1,112	(1)	0
Other revenues	7	(53)	317	–	–
Net revenues	**5,564**	**5,396**	**5,759**	3	(6)
Provision for credit losses (CHF million)					
New provisions	201	158	150	27	5
Releases of provisions	(75)	(83)	(71)	(10)	17
Provision for credit losses	**126**	**75**	**79**	68	(5)
Balance sheet statistics (CHF million)					
Total assets	224,301	228,857	228,363	(2)	0
Net loans	168,393	165,041	165,685	2	0
of which Private Clients	113,403	111,222	109,554	2	2
Risk-weighted assets	76,475	65,572	65,669	17	0
Leverage exposure	255,480	257,054	252,889	(1)	2

Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management, discretionary mandate and other asset management-related fees, fees for general banking products and services and revenues from wealth structuring solutions. Transaction-based revenues arise primarily from brokerage fees, fees from foreign exchange client transactions, trading and sales income, equity participations income and other transaction-based income. Other revenues include fair value gains/(losses) on synthetic securitized loan portfolios and other gains and losses.

2017 results

In 2017, income before taxes of CHF 1,765 million decreased 13% compared to 2016. Net revenues of CHF 5,396 million were 6% lower compared to 2016, mainly due to gains on the sale of real estate in 2016 of CHF 366 million reflected in other revenues. All other revenue categories were stable. Provision for credit losses was CHF 75 million in 2017 on a net loan portfolio of CHF 165.0 billion. Total operating expenses decreased slightly, primarily driven by lower compensation and benefits reflecting lower salary expenses and lower pension expenses. General and administrative expenses decreased slightly, mainly due to lower contractor and professional services fees, lower occupancy expenses and decreased advertising and marketing expenses. Adjusted income before taxes of CHF 1,873 million was 8% higher compared to 2016.

Capital and leverage metrics

As of the end of 2018, we reported risk-weighted assets of CHF 76.5 billion, an increase of CHF 10.9 billion compared to the end of 2017, primarily driven by business growth and methodology changes, mainly reflecting the phase-in of the Swiss mortgage multipliers. Leverage exposure was CHF 255.5 billion, stable compared to the end of 2017, with a decrease in HQLA offset by business growth.

Reconciliation of adjusted results

	Private Clients			Corporate & Institutional Clients			Swiss Universal Bank		
in	2018	2017	2016	2018	2017	2016	2018	2017	2016
Adjusted results (CHF million)									
Net revenues	**2,989**	**2,897**	**3,258**	**2,575**	**2,499**	**2,501**	**5,564**	**5,396**	**5,759**
Real estate gains	(21)	0	(366)	0	0	0	(21)	0	(366)
Gains on business sales	(19)	0	0	(18)	0	0	(37)	0	0
Adjusted net revenues	**2,949**	**2,897**	**2,892**	**2,557**	**2,499**	**2,501**	**5,506**	**5,396**	**5,393**
Provision for credit losses	**30**	**42**	**39**	**96**	**33**	**40**	**126**	**75**	**79**
Total operating expenses	**1,899**	**2,054**	**2,124**	**1,414**	**1,502**	**1,531**	**3,313**	**3,556**	**3,655**
Restructuring expenses	(66)	(53)	(51)	(35)	(6)	(9)	(101)	(59)	(60)
Major litigation provisions	0	(6)	0	(37)	(43)	(19)	(37)	(49)	(19)
Adjusted total operating expenses	**1,833**	**1,995**	**2,073**	**1,342**	**1,453**	**1,503**	**3,175**	**3,448**	**3,576**
Income before taxes	**1,060**	**801**	**1,095**	**1,065**	**964**	**930**	**2,125**	**1,765**	**2,025**
Total adjustments	26	59	(315)	54	49	28	80	108	(287)
Adjusted income before taxes	**1,086**	**860**	**780**	**1,119**	**1,013**	**958**	**2,205**	**1,873**	**1,738**
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	17.4	14.6	14.2

Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in Credit Suisse for further information.

Private Clients

2018 results details

Income before taxes of CHF 1,060 million increased 32% compared to 2017, driven by lower total operating expenses and slightly higher net revenues. Adjusted income before taxes of CHF 1,086 million increased 26% compared to 2017.

Net revenues

In 2018, net revenues of CHF 2,989 million were slightly higher, reflecting slightly higher net interest income, the increase in other revenues, reflecting gains on the sale of real estate of CHF 21 million and a gain on the sale of our investment in Euroclear of CHF 19 million, and slightly higher recurring commissions and fees, partially offset by lower transaction-based revenues. Net interest income of CHF 1,717 million was slightly higher, with higher deposit margins on higher average deposit volumes and stable loan margins on slightly higher average loan volumes. Recurring commissions and fees of CHF 835 million were slightly higher, with higher wealth structuring solution fees, increased investment advisory fees and higher revenues from our investment in Swisscard, partially offset by slightly lower banking services fees. Transaction-based revenues of CHF 397 million decreased 4%, mainly due to a gain from the sale of an investment reflected in 2017 and lower brokerage fees, partially offset by higher revenues from ITS and slightly higher fees from foreign exchange client business.

Provision for credit losses

The Private Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities and, to a lesser extent, consumer finance loans.

In 2018, Private Clients recorded provision for credit losses of CHF 30 million compared to CHF 42 million in 2017. The provision was primarily related to our consumer finance business.

Total operating expenses

Compared to 2017, total operating expenses of CHF 1,899 million decreased 8%, reflecting lower general and administrative expenses, lower commission expenses and slightly lower compensation and benefits, partially offset by higher restructuring expenses. General and administrative expenses of CHF 663 million decreased 14% compared to 2017, driven by lower professional and contractor services fees, lower allocated corporate function costs, decreased occupancy expenses and lower advertising and marketing expenses. Compensation and benefits of CHF 1,066 million decreased slightly, with lower salary expenses, partially offset by higher deferred compensation expenses from prior-year awards.

Margins

Our **gross margin** was 144 basis points in 2018, one basis point higher compared to 2017, reflecting slightly higher net interest income, slightly higher recurring commissions and fees, the gains on the sale of real estate and the gain on the sale of our investment in Euroclear, partially offset by slightly higher average assets under management. On the basis of adjusted net revenues, our gross margin was 142 basis points, one basis point lower compared to 2017.

> Refer to “Assets under management” for further information.

Results – Private Clients

			in	% change	
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**2,989**	**2,897**	**3,258**	3	(11)
Provision for credit losses	**30**	**42**	**39**	(29)	8
Compensation and benefits	1,066	1,088	1,184	(2)	(8)
General and administrative expenses	663	772	777	(14)	(1)
Commission expenses	104	141	112	(26)	26
Restructuring expenses	66	53	51	25	4
Total other operating expenses	833	966	940	(14)	3
Total operating expenses	**1,899**	**2,054**	**2,124**	(8)	(3)
Income before taxes	**1,060**	**801**	**1,095**	32	(27)
Statement of operations metrics (%)					
Cost/income ratio	63.5	70.9	65.2	–	–
Net revenue detail (CHF million)					
Net interest income	1,717	1,670	1,661	3	1
Recurring commissions and fees	835	812	820	3	(1)
Transaction-based revenues	397	413	410	(4)	1
Other revenues	40	2	367	–	(99)
Net revenues	**2,989**	**2,897**	**3,258**	3	(11)
Margins on assets under management (bp)					
Gross margin [1]	144	143	171	–	–
Net margin [2]	51	40	58	–	–
Number of relationship managers					
Number of relationship managers	1,260	1,300	1,430	(3)	(9)

1

Net revenues divided by average assets under management.

2

Income before taxes divided by average assets under management.

Our **net margin** was 51 basis points in 2018, eleven basis points higher compared to 2017, mainly reflecting lower total operating expenses and slightly higher net revenues, partially offset by slightly higher average assets under management. On the basis of adjusted income before taxes, our net margin was 52 basis points, nine basis points higher compared to 2017.

2017 results details

Income before taxes of CHF 801 million decreased 27% compared to 2016, driven by lower net revenues, partially offset by slightly lower total operating expenses. Adjusted income before taxes of CHF 860 million increased 10% compared to 2016.

Net revenues

In 2017, net revenues of CHF 2,897 million decreased 11%, mainly due to the gains on the sale of real estate of CHF 366 million in 2016 reflected in other revenues. Net interest income of CHF 1,670 million was stable, with slightly higher deposit margins on higher average deposit volumes and slightly higher loan margins on slightly higher average loan volumes. Transaction-based revenues of CHF 413 million were stable, reflecting a gain from the sale of an investment and higher brokerage fees, reflecting increased client activity, offset by lower revenues from ITS and lower equity participations income. Recurring commissions and fees of CHF 812 million were stable with lower revenues from discretionary mandate management fees offset by higher revenues from wealth structuring solutions, higher investment product management fees and increased investment advisory fees. Adjusted net revenues of CHF 2,897 million were stable compared to 2016.

Provision for credit losses

The Private Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities and, to a lesser extent, consumer finance loans.

In 2017, Private Clients recorded provision for credit losses of CHF 42 million compared to CHF 39 million in 2016. The provision was primarily related to our consumer finance business.

Total operating expenses

Compared to 2016, total operating expenses of CHF 2,054 million decreased slightly, primarily reflecting lower compensation and benefits, partially offset by higher commission expenses. Compensation and benefits of CHF 1,088 million decreased 8%, primarily reflecting lower salary expenses and lower pension expenses. General and administrative expenses of CHF 772 million were stable compared to 2016, driven by decreased occupancy expenses and lower advertising and marketing expenses, offset by higher allocated corporate function costs. Adjusted total operating expenses of CHF 1,995 million were 4% lower compared to 2016.

Assets under management

As of the end of **2018**, assets under management of CHF 198.0 billion were CHF 10.3 billion lower compared to the end of 2017, mainly driven by unfavorable market movements, partially offset by net new assets of CHF 3.0 billion. Net new assets reflected positive contributions from all businesses.

As of the end of **2017**, assets under management of CHF 208.3 billion increased CHF 16.1 billion compared to the end of 2016, primarily driven by favorable market movements and net new assets of CHF 4.7 billion, with good performance across all businesses and strong contributions from ultra-high-net-worth individuals and entrepreneurs.

Assets under management – Private Clients

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Assets under management (CHF billion)					
Assets under management	198.0	208.3	192.2	(4.9)	8.4
Average assets under management	207.7	202.2	190.0	2.7	6.4
Assets under management by currency (CHF billion)					
USD	28.9	30.5	28.7	(5.2)	6.3
EUR	20.1	22.9	19.0	(12.2)	20.5
CHF	140.0	145.0	136.7	(3.4)	6.1
Other	9.0	9.9	7.8	(9.1)	26.9
Assets under management	**198.0**	**208.3**	**192.2**	(4.9)	8.4
Growth in assets under management (CHF billion)					
Net new assets	3.0	4.7	0.1	–	–
Other effects	(13.3)	11.4	2.3	–	–
of which market movements	(10.6)	12.4	2.1	–	–
of which foreign exchange	(0.8)	0.8	0.3	–	–
of which other	(1.9)	(1.8)	(0.1)	–	–
Growth in assets under management	**(10.3)**	**16.1**	**2.4**	–	–
Growth in assets under management (%)					
Net new assets	1.4	2.4	0.1	–	–
Other effects	(6.3)	6.0	1.2	–	–
Growth in assets under management	**(4.9)**	**8.4**	**1.3**	–	–

Corporate & Institutional Clients

2018 results details

Income before taxes of CHF 1,065 million increased 10% compared to 2017, reflecting lower total operating expenses and slightly higher net revenues, partially offset by higher provision for credit losses.

Net revenues

Compared to 2017, net revenues of CHF 2,575 million increased slightly, mainly driven by higher recurring commissions and fees and the increase in other revenues, reflecting a gain on the sale of our investment in Euroclear of CHF 18 million. Recurring commissions and fees of CHF 680 million increased 7%, mainly reflecting higher wealth structuring solution fees and higher fees from lending activities, partially offset by lower security account and custody services fees. Net interest income of CHF 1,229 million was stable, with higher deposit margins on lower average deposit volumes and stable loan margins on stable average loan volumes. Transaction-based revenues of CHF 699 million were stable, reflecting higher revenues from ITS and higher fees from foreign exchange client business, offset by lower brokerage fees.

Provision for credit losses

The Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by real estate, securities and other financial collateral.

In 2018, Corporate & Institutional Clients recorded provision for credit losses of CHF 96 million compared to CHF 33 million in 2017. The increase is mainly related to several individual cases and lower releases of provision for credit losses.

Total operating expenses

Compared to 2017, total operating expenses of CHF 1,414 million decreased 6%, primarily reflecting lower compensation and benefits and lower general and administrative expenses. Compensation and benefits of CHF 821 million decreased 6%, driven by lower allocated corporate function costs, slightly lower salary expenses, decreased discretionary compensation expenses and lower pension expenses. General and administrative expenses of CHF 434 million decreased 9%, mainly driven by lower occupancy expenses and slightly lower allocated corporate function costs.

Results – Corporate & Institutional Clients

			in		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**2,575**	**2,499**	**2,501**	3	0
Provision for credit losses	**96**	**33**	**40**	191	(18)
Compensation and benefits	821	869	847	(6)	3
General and administrative expenses	434	479	504	(9)	(5)
Commission expenses	124	148	171	(16)	(13)
Restructuring expenses	35	6	9	483	(33)
Total other operating expenses	593	633	684	(6)	(7)
Total operating expenses	**1,414**	**1,502**	**1,531**	(6)	(2)
Income before taxes	**1,065**	**964**	**930**	10	4
Statement of operations metrics (%)					
Cost/income ratio	54.9	60.1	61.2	–	–
Net revenue detail (CHF million)					
Net interest income	1,229	1,226	1,223	0	0
Recurring commissions and fees	680	634	626	7	1
Transaction-based revenues	699	694	702	1	(1)
Other revenues	(33)	(55)	(50)	(40)	10
Net revenues	**2,575**	**2,499**	**2,501**	3	0
Number of relationship managers					
Number of relationship managers	520	540	540	(4)	0

2017 results details

Income before taxes of CHF 964 million increased 4% compared to 2016, driven by slightly lower total operating expenses and lower provision for credit losses. Adjusted income before taxes of CHF 1,013 million increased 6% compared to 2016.

Net revenues

Compared to 2016, net revenues of CHF 2,499 million were stable, with stable revenues across all revenue categories. Recurring commissions and fees of CHF 634 million were stable, reflecting higher fees from lending activities and higher investment product management fees, offset by lower discretionary mandate management fees. Net interest income of CHF 1,226 million was stable, with slightly higher loan margins on stable average loan volumes, offset by lower deposit margins on higher average deposit volumes. Transaction-based revenues of CHF 694 million were stable, with lower revenues from ITS, offset by increased revenues from our Swiss investment banking business and our profit share from the sale of an investment from our Swiss venture capital vehicle.

Provision for credit losses

The Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by real estate, securities and other financial collateral.

In 2017, Corporate & Institutional Clients recorded provision for credit losses of CHF 33 million compared to CHF 40 million in 2016. The decrease reflected higher releases of provision for credit losses relating to several individual cases and a recovery case of CHF 8 million, partially offset by higher new provisions.

Total operating expenses

Compared to 2016, total operating expenses of CHF 1,502 million decreased slightly, primarily reflecting lower general and administrative expenses and lower commission expenses, partially offset by slightly higher compensation and benefits. General and administrative expenses of CHF 479 million decreased 5%, mainly driven by lower allocated corporate function costs. Compensation and benefits of CHF 869 million were slightly higher, driven by higher allocated corporate function costs, partially offset by lower discretionary compensation expenses and lower pension expenses.

Assets under management

As of the end of **2018**, assets under management of CHF 348.7 billion were CHF 6.0 billion lower compared to the end of 2017, mainly driven by unfavorable market movements, partially offset by net new assets of CHF 8.6 billion. Net new assets primarily reflected positive contributions from our pension business.

As of the end of **2017**, assets under management of CHF 354.7 billion were CHF 15.4 billion higher compared to the end of 2016, mainly driven by favorable market movements. Net asset outflows of CHF 13.9 billion were primarily due to redemptions of CHF 13.3 billion from a single public sector mandate in the third quarter of 2017.

International Wealth Management

In 2018, we reported income before taxes of CHF 1,705 million and net revenues of CHF 5,414 million. Income before taxes increased 26% compared to 2017, primarily reflecting higher net revenues.

Results summary

2018 results

In 2018, income before taxes of CHF 1,705 million increased 26% compared to 2017. Net revenues of CHF 5,414 million increased 6% compared to 2017, reflecting higher revenues across all revenue categories. Higher net interest income reflected higher deposit margins and lower loan margins on higher average deposit and loan volumes. Higher recurring commissions and fees were mainly driven by higher asset management fees and higher fees from lending activities. Other revenues in 2018 reflected a gain on the sale of our investment in Euroclear of CHF 37 million in Private Banking and revenues from a business disposal in Asset Management. Other revenues in 2017 included an investment loss from Asset Management Finance LLC (AMF) and a loss from a business disposal relating to our systematic market making business. Transaction- and performance-based revenues increased CHF 14 million, mainly reflecting increased client activity, higher revenues from ITS and higher corporate advisory fees related to integrated solutions in Private Banking. This increase was offset by lower performance and placement revenues mainly from Asset Management. Provision for credit losses was CHF 35 million on a net loan portfolio of CHF 51.7 billion. Total operating expenses decreased slightly compared to 2017, primarily driven by lower litigation provisions, slightly lower salary expenses and decreased professional and contractor services fees, partially offset by higher restructuring expenses, reflecting the results of our cost efficiency measures. Adjusted income before taxes of CHF 1,810 million increased 21% compared to 2017.

Divisional results

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**5,414**	**5,111**	**4,698**	6	9
Provision for credit losses	**35**	**27**	**20**	30	35
Compensation and benefits	2,303	2,278	2,168	1	5
General and administrative expenses	1,029	1,141	1,096	(10)	4
Commission expenses	227	244	239	(7)	2
Restructuring expenses	115	70	54	64	30
Total other operating expenses	1,371	1,455	1,389	(6)	5
Total operating expenses	**3,674**	**3,733**	**3,557**	(2)	5
Income before taxes	**1,705**	**1,351**	**1,121**	26	21
Statement of operations metrics (%)					
Return on regulatory capital	30.7	25.8	23.3	–	–
Cost/income ratio	67.9	73.0	75.7	–	–
Number of employees (full-time equivalents)					
Number of employees	10,210	10,250	10,300	0	0

Divisional results (continued)

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Net revenues (CHF million)					
Private Banking	3,890	3,603	3,371	8	7
Asset Management	1,524	1,508	1,327	1	14
Net revenues	**5,414**	**5,111**	**4,698**	6	9
Net revenue detail (CHF million)					
Net interest income	1,568	1,449	1,308	8	11
Recurring commissions and fees	2,233	2,135	1,914	5	12
Transaction- and performance-based revenues	1,630	1,616	1,426	1	13
Other revenues	(17)	(89)	50	(81)	–
Net revenues	**5,414**	**5,111**	**4,698**	6	9
Provision for credit losses (CHF million)					
New provisions	56	49	55	14	(11)
Releases of provisions	(21)	(22)	(35)	(5)	(37)
Provision for credit losses	**35**	**27**	**20**	30	35
Balance sheet statistics (CHF million)					
Total assets	91,835	94,753	91,083	(3)	4
Net loans	51,695	50,474	44,965	2	12
of which Private Banking	51,684	50,429	44,952	2	12
Risk-weighted assets	40,116	38,256	35,252	5	9
Leverage exposure	98,556	99,267	94,092	(1)	5

2017 results

In 2017, income before taxes of CHF 1,351 million increased 21% compared to 2016. Net revenues of CHF 5,111 million increased 9% compared to 2016 driven by higher recurring commissions and fees, higher transaction- and performance-based revenues and higher net interest income. These increases were partially offset by lower other revenues. Higher recurring commissions and fees were mainly driven by higher asset management fees, higher investment product management fees and higher average assets under management. These increases were partially offset by lower discretionary mandate management fees. Higher transaction- and performance-based revenues mainly reflected higher performance and placement fees in Asset Management and higher brokerage and product issuing fees in Private Banking, partially offset by lower revenues from ITS. Higher net interest income reflected higher loan and deposit margins on higher average loan and deposit volumes. Other revenues were lower mainly as 2016 included a gain on the sale of real estate in Private Banking compared to the investment loss from AMF and the loss from the business disposal relating to our systematic market making business in 2017 in Asset Management. Provision for credit losses was CHF 27 million on a net loan portfolio of CHF 50.5 billion. The 5% increase in total operating expenses compared to 2016 was primarily driven by higher discretionary compensation expenses, higher litigation provisions and higher salary expenses, partially offset by lower contractor and professional services fees. Adjusted income before taxes of CHF 1,497 million increased 35% compared to 2016.

Capital and leverage metrics

As of the end of 2018, we reported risk-weighted assets of CHF 40.1 billion, an increase of CHF 1.9 billion compared to the end of 2017, mainly driven by model and parameter updates and business growth. Leverage exposure of CHF 98.6 billion was stable compared to the end of 2017.

Reconciliation of adjusted results

in	Private Banking 2018	2017	2016	Asset Management 2018	2017	2016	International Wealth Management 2018	2017	2016
Adjusted results (CHF million)									
Net revenues	**3,890**	**3,603**	**3,371**	**1,524**	**1,508**	**1,327**	**5,414**	**5,111**	**4,698**
Real estate gains	(2)	0	(54)	0	0	0	(2)	0	(54)
(Gains)/losses on business sales	(37)	0	0	(18)	28	0	(55)	28	0
Adjusted net revenues	**3,851**	**3,603**	**3,317**	**1,506**	**1,536**	**1,327**	**5,357**	**5,139**	**4,644**
Provision for credit losses	**35**	**27**	**20**	**0**	**0**	**0**	**35**	**27**	**20**
Total operating expenses	**2,522**	**2,552**	**2,510**	**1,152**	**1,181**	**1,047**	**3,674**	**3,733**	**3,557**
Restructuring expenses	(89)	(44)	(47)	(26)	(26)	(7)	(115)	(70)	(54)
Major litigation provisions	0	(48)	12	0	0	0	0	(48)	12
Expenses related to business sales	0	0	0	(47)	0	0	(47)	0	0
Adjusted total operating expenses	**2,433**	**2,460**	**2,475**	**1,079**	**1,155**	**1,040**	**3,512**	**3,615**	**3,515**
Income before taxes	**1,333**	**1,024**	**841**	**372**	**327**	**280**	**1,705**	**1,351**	**1,121**
Total adjustments	50	92	(19)	55	54	7	105	146	(12)
Adjusted income before taxes	**1,383**	**1,116**	**822**	**427**	**381**	**287**	**1,810**	**1,497**	**1,109**
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	32.6	28.6	23.1

Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in Credit Suisse for further information.

Private Banking

2018 results details

Income before taxes of CHF 1,333 million increased 30% compared to 2017, primarily reflecting higher net revenues. Adjusted income before taxes of CHF 1,383 million increased 24% compared to 2017.

Net revenues

Compared to 2017, net revenues of CHF 3,890 million were 8% higher, reflecting higher revenues across all revenue categories. Net interest income of CHF 1,568 million increased 8%, reflecting higher deposit margins on higher average deposit volumes and lower loan margins on higher average loan volumes. Transaction- and performance-based revenues of CHF 1,054 million increased 11%, mainly reflecting higher client activity and higher revenues from ITS. Other revenues reflected the gain on the sale of our investment in Euroclear of CHF 37 million. Recurring commissions and fees of CHF 1,227 million increased slightly, mainly driven by higher fees from lending activities and higher investment product management fees, partially offset by lower discretionary mandate management fees.

Provision for credit losses

In 2018, Private Banking recorded provision for credit losses of CHF 35 million, compared to CHF 27 million in 2017, including a small number of cases related to emerging markets and ship finance.

Total operating expenses

Compared to 2017, total operating expenses of CHF 2,522 million were stable, with lower general and administrative expenses and decreased commission expenses, offset by higher compensation and benefits and higher restructuring expenses. General and administrative expenses of CHF 680 million decreased 13%, primarily reflecting lower litigation provisions and lower allocated corporate function costs. Compensation and benefits of CHF 1,599 million increased 4%, mainly reflecting higher allocated corporate function costs and higher deferred compensation expenses from prior-year awards, partially offset by lower salary expenses. Restructuring expenses increased CHF 45 million, reflecting the results of our cost efficiency measures.

Margins

Our **gross margin** was 106 basis points in 2018, one basis point higher compared to 2017, mainly reflecting higher net interest income and transaction- and performance-based revenues, mostly offset by an increase of 7.0% in average assets under management. On the basis of adjusted net revenues, our gross margin was 105 basis points, stable compared to 2017.

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

Our **net margin** was 36 basis points in 2018, six basis points higher compared to 2017, mainly reflecting higher net revenues, partially offset by the 7.0% higher average assets under management. On the basis of adjusted income before taxes, our net margin was 38 basis points, six basis points higher compared to 2017.

Results – Private Banking

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**3,890**	**3,603**	**3,371**	8	7
Provision for credit losses	**35**	**27**	**20**	30	35
Compensation and benefits	1,599	1,540	1,502	4	3
General and administrative expenses	680	782	788	(13)	(1)
Commission expenses	154	186	173	(17)	8
Restructuring expenses	89	44	47	102	(6)
Total other operating expenses	923	1,012	1,008	(9)	–
Total operating expenses	**2,522**	**2,552**	**2,510**	(1)	2
Income before taxes	**1,333**	**1,024**	**841**	30	22
Statement of operations metrics (%)					
Cost/income ratio	64.8	70.8	74.5	–	–
Net revenue detail (CHF million)					
Net interest income	1,568	1,449	1,308	8	11
Recurring commissions and fees	1,227	1,200	1,093	2	10
Transaction- and performance-based revenues	1,054	953	922	11	3
Other revenues	41	1	48	–	(98)
Net revenues	**3,890**	**3,603**	**3,371**	8	7
Margins on assets under management (bp)					
Gross margin [1]	106	105	112	–	–
Net margin [2]	36	30	28	–	–
Number of relationship managers					
Number of relationship managers	1,110	1,130	1,140	(2)	(1)

Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management, discretionary mandate and other asset management-related fees, fees for general banking products and services and revenues from wealth structuring solutions. Transaction- and performance-based revenues arise primarily from brokerage and product issuing fees, fees from foreign exchange client transactions, trading and sales income, equity participations income and other transaction- and performance-based income.

1
Net revenues divided by average assets under management.

2
Income before taxes divided by average assets under management.

2017 results details

Income before taxes of CHF 1,024 million increased 22% compared to 2016, reflecting higher net revenues, partially offset by slightly higher total operating expenses. Adjusted income before taxes of CHF 1,116 million increased 36% compared to 2016.

Net revenues

Compared to 2016, net revenues of CHF 3,603 million were 7% higher, reflecting higher net interest income, higher recurring commissions and fees and slightly higher transaction- and performance-based revenues. These increases were partially offset by lower other revenues. Net interest income of CHF 1,449 million increased 11%, reflecting higher loan and deposit margins on higher average loan and deposit volumes. Recurring commissions and fees of CHF 1,200 million increased 10%, mainly reflecting higher investment product management fees and higher security

account and custody services fees, partially offset by lower discretionary mandate management fees. Transaction- and performance-based revenues of CHF 953 million increased slightly, mainly reflecting higher brokerage and product issuing fees, partially offset by lower revenues from ITS. Other revenues were significantly lower as 2016 included the gain on the sale of real estate of CHF 54 million. Adjusted net revenues of CHF 3,603 million increased 9% compared to 2016.
Provision for credit losses
In 2017, Private Banking recorded provision for credit losses of CHF 27 million, compared to CHF 20 million in 2016, including a small number of cases in Europe and related to ship finance.
Total operating expenses
Compared to 2016, total operating expenses of CHF 2,552 million increased slightly, mainly reflecting slightly higher compensation and benefits and higher commission expenses. Compensation and benefits of CHF 1,540 million increased slightly, mainly reflecting higher discretionary compensation expenses, higher deferred compensation expenses from prior-year awards and increased social security expenses, partially offset by lower salary expenses. General and administrative expenses of CHF 782 million were stable with higher litigation provisions offset by lower professional services fees. Adjusted total operating expenses of CHF 2,460 million were stable compared to 2016.

Assets under management

As of the end of **2018**, assets under management of CHF 357.5 billion were CHF 9.4 billion lower compared to the end of 2017, reflecting unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 14.2 billion. Net new assets mainly reflected inflows from emerging markets and Europe.

As of the end of **2017**, assets under management of CHF 366.9 billion were CHF 43.7 billion higher compared to the end of 2016, primarily reflecting favorable market movements and net new assets of CHF 15.6 billion. Net new assets reflected solid inflows from emerging markets and Europe.

Assets under management – Private Banking

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Assets under management (CHF billion)					
Assets under management	357.5	366.9	323.2	(2.6)	13.5
Average assets under management	368.1	343.9	300.3	7.0	14.5
Assets under management by currency (CHF billion)					
USD	170.3	162.9	149.0	4.5	9.3
EUR	106.7	114.1	93.2	(6.5)	22.4
CHF	17.5	23.0	21.0	(23.9)	9.5
Other	63.0	66.9	60.0	(5.8)	11.5
Assets under management	**357.5**	**366.9**	**323.2**	(2.6)	13.5
Growth in assets under management (CHF billion)					
Net new assets	14.2	15.6	15.6	–	–
Other effects	(23.6)	28.1	18.0	–	–
of which market movements	(12.0)	24.3	10.1	–	–
of which foreign exchange	(7.8)	1.0	7.8	–	–
of which other	(3.8)	2.8	0.1	–	–
Growth in assets under management	**(9.4)**	**43.7**	**33.6**	–	–
Growth in assets under management (%)					
Net new assets	3.9	4.8	5.4	–	–
Other effects	(6.5)	8.7	6.2	–	–
Growth in assets under management	**(2.6)**	**13.5**	**11.6**	–	–

Asset Management

2018 results details

Income before taxes of CHF 372 million increased 14% compared to 2017, primarily reflecting slightly lower total operating expenses. Adjusted income before taxes of CHF 427 million increased 12% compared to 2017.

In the first quarter of 2018 we completed the spin-off of a management company for a quantitative fund relating to our systematic market making business while retaining an economic interest in the management company and the fund. Revenues from this interest are recognized as investment and partnership income rather than management fees and performance and placement revenues as previously reported. Prior periods have been reclassified to conform to the current presentation.

Net revenues

Compared to 2017, net revenues of CHF 1,524 million were stable, with higher management fees and investment and partnership income, partially offset by significantly lower performance and placement revenues. Management fees of CHF 1,107 million increased 9%, mainly reflecting higher average assets under management. Investment and partnership income of CHF 224 million increased 10%, mainly driven by a gain on the partial sale of an economic interest in a third-party manager relating to a private equity investment and the investment loss of CHF 43 million from AMF in 2017. These increases were partially offset by the absence of revenues from the systematic market making business due to the spin-off. Performance and placement revenues of CHF 193 million decreased 34%,

reflecting lower performance fees due to a strong investment performance of a fund in 2017, investment-related losses compared to gains in 2017 and lower placement
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fees, partially offset by revenues from the business disposal in 2018. Adjusted net revenues of CHF 1,506 million decreased slightly compared to 2017.

Total operating expenses

Compared to 2017, total operating expenses of CHF 1,152 million decreased slightly, driven by lower compensation and benefits and slightly lower general and administrative expenses. Compensation and benefits of CHF 704 million decreased 5%, mainly reflecting lower discretionary compensation expenses and lower deferred compensation expenses from prior-year awards. General and administrative expenses of CHF 349 million decreased slightly, mainly reflecting lower allocated corporate function costs and lower professional services fees. Adjusted total operating expenses of CHF 1,079 million decreased 7% compared to 2017.

2017 results details

Income before taxes of CHF 327 million increased 17% compared to 2016, with higher net revenues partially offset by higher total operating expenses. Adjusted income before taxes of CHF 381 million increased 33% compared to 2016.

Net revenues

Compared to 2016, net revenues of CHF 1,508 million increased 14%, with higher management fees and significantly higher performance and placement revenues, partially offset by lower investment and partnership income. Management fees of CHF 1,011 million increased 14%, mainly reflecting higher average assets under management. Performance and placement revenues of CHF 293 million increased 40%, mainly reflecting higher performance fees including the strong investment performance of a fund in 2017 and higher placement fees. Investment and partnership income of CHF 204 million decreased 12%, primarily reflecting the investment loss of CHF 43 million from AMF in 2017 compared to a residual gain from a private equity interest of CHF 45 million in 2016. Adjusted net revenues of CHF 1,536 million increased 16% compared to 2016.

Total operating expenses

Compared to 2016, total operating expenses of CHF 1,181 million increased 13%, driven by higher compensation and benefits and higher general and administrative expenses. Compensation and benefits of CHF 738 million increased 11%, reflecting higher salary expenses and higher discretionary compensation expenses, partially offset by lower deferred compensation expenses from prior-year awards. Higher salary expenses mainly reflected the strong investment performance of a fund and the transition of the systematic market making business from Global Markets to International Wealth Management. General and administrative expenses of CHF 359 million increased 17% mainly reflecting higher professional services fees. Adjusted total operating expenses of CHF 1,155 million increased 11% compared to 2016.

Results – Asset Management

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**1,524**	**1,508**	**1,327**	1	14
Provision for credit losses	**0**	**0**	**0**	–	–
Compensation and benefits	704	738	666	(5)	11
General and administrative expenses	349	359	308	(3)	17
Commission expenses	73	58	66	26	(12)
Restructuring expenses	26	26	7	0	271
Total other operating expenses	448	443	381	1	16
Total operating expenses	**1,152**	**1,181**	**1,047**	(2)	13
Income before taxes	**372**	**327**	**280**	14	17
Statement of operations metrics (%)					
Cost/income ratio	75.6	78.3	78.9	–	–
Net revenue detail (CHF million)					
Management fees	1,107	1,011	886	9	14
Performance and placement	193	293	209	(34)	40

revenues					
Investment and partnership income	224	204	232	10	(12)
Net revenues	**1,524**	**1,508**	**1,327**	1	14
of which recurring commissions and fees	1,006	935	821	8	14
of which transaction- and performance-based revenues	576	663	504	(13)	32
of which other revenues	(58)	(90)	2	(36)	–

Management fees include fees on assets under management, asset administration revenues and transaction fees related to the acquisition and disposal of investments in the funds being managed. Performance revenues relate to the performance or return of the funds being managed and includes investment-related gains and losses from proprietary funds. Placement revenues arise from our third-party private equity fundraising activities and secondary private equity market advisory services. Investment and partnership income includes equity participation income from seed capital returns and from minority investments in third-party asset managers, income from strategic partnerships and distribution agreements, and other revenues.

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Assets under management

As of the end of **2018**, assets under management of CHF 388.7 billion were CHF 3.1 billion higher compared to the end of 2017, reflecting net new assets of CHF 22.2 billion, partially offset by unfavorable market and foreign exchange-related movements. Net new assets mainly reflected inflows from traditional and alternative investments.

As of the end of **2017**, assets under management of CHF 385.6 billion increased CHF 64.0 billion compared to the end of 2016, reflecting a structural effect from assets under management reported for multi-asset class solutions, favorable market movements and net new assets of CHF 20.3 billion. Net new assets primarily reflected inflows from traditional and alternative investments and from emerging market joint ventures.

Assets under management – Asset Management

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Assets under management (CHF billion)					
Traditional investments	218.9	217.6	159.9	0.6	36.1
Alternative investments	124.6	121.5	121.0	2.6	0.4
Investments and partnerships	45.2	46.5	40.7	(2.8)	14.3
Assets under management	**388.7**	**385.6**	**321.6**	0.8	19.9
Average assets under management	397.8	368.4	317.5	8.0	16.0
Assets under management by currency (CHF billion)					
USD	107.2	100.1	95.9	7.1	4.4
EUR	49.0	48.2	36.6	1.7	31.7
CHF	184.9	182.6	140.7	1.3	29.8
Other	47.6	54.7	48.4	(13.0)	13.0
Assets under management	**388.7**	**385.6**	**321.6**	0.8	19.9
Growth in assets under management (CHF billion)					
Net new assets [1]	22.2	20.3	5.6	–	–
Other effects	(19.1)	43.7	(5.3)	–	–
of which market movements	(9.1)	20.6	7.6	–	–
of which foreign exchange	(3.4)	(0.3)	3.9	–	–
of which other	(6.6)	23.4	(16.8)	–	–
Growth in assets under management	**3.1**	**64.0**	**0.3**	–	–
Growth in assets under management (%)					
Net new assets	5.8	6.3	1.7	–	–
Other effects	(5.0)	13.6	(1.6)	–	–
Growth in assets under management	**0.8**	**19.9**	**0.1**	–	–

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Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.

Asia Pacific

In 2018, we reported income before taxes of CHF 664 million and net revenues of CHF 3,393 million. Income before taxes decreased 9% compared to 2017, reflecting the challenging market conditions in the second half of 2018.

Results summary

2018 results

In 2018, income before taxes of CHF 664 million decreased 9% compared to 2017 due to lower net revenues and higher provision for credit losses, partially offset by lower total operating expenses. In 2018, the US GAAP accounting standard pertaining to revenue recognition was adopted. As a result, both net revenues and operating expenses in Asia Pacific decreased CHF 27 million. Lower net revenues of CHF 3,393 million were driven by lower revenues in our Markets business across all revenue categories. Lower equity sales and trading revenues were primarily driven by weaker results in equity derivatives, reflecting reduced client activity and a difficult trading environment in the second half of 2018. Lower fixed income sales and trading revenues were primarily driven by a weaker performance in rates, partially offset by higher revenues in foreign exchange products, structured products and credit products. Wealth Management & Connected revenues were stable, mainly reflecting lower transaction-based revenues and lower advisory, underwriting and financing revenues, offset by higher recurring commissions and fees. Financing revenues in 2017 included a gain of CHF 64 million from a pre-IPO financing and a positive net fair value impact of CHF 94 million from an impaired loan portfolio in recovery management. Compared to 2017, total operating expenses of CHF 2,694 million decreased slightly, primarily reflecting lower compensation and benefits and lower commission expenses, largely offset by higher general and administrative expenses, primarily driven by higher litigation provisions. Adjusted income before taxes of CHF 804 million increased slightly compared to 2017.

Divisional results

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**3,393**	**3,504**	**3,597**	(3)	(3)
Provision for credit losses	**35**	**15**	**26**	133	(42)
Compensation and benefits	1,503	1,602	1,665	(6)	(4)
General and administrative expenses	887	831	836	7	(1)
Commission expenses	243	264	292	(8)	(10)
Restructuring expenses	61	63	53	(3)	19
Total other operating expenses	1,191	1,158	1,181	3	(2)
Total operating expenses	**2,694**	**2,760**	**2,846**	(2)	(3)
Income before taxes	**664**	**729**	**725**	(9)	1
Statement of operations metrics (%)					
Return on regulatory capital	12.0	13.8	13.7	–	–
Cost/income ratio	79.4	78.8	79.1	–	–
Number of employees (full-time equivalents)					
Number of employees	7,440	7,230	6,980	3	4

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Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Net revenues (CHF million)					
Wealth Management & Connected	2,290	2,322	1,904	(1)	22
Markets	1,103	1,182	1,693	(7)	(30)
Net revenues	**3,393**	**3,504**	**3,597**	(3)	(3)
Provision for credit losses (CHF million)					
New provisions	42	28	72	50	(61)
Releases of provisions	(7)	(13)	(46)	(46)	(72)
Provision for credit losses	**35**	**15**	**26**	133	(42)
Balance sheet statistics (CHF million)					
Total assets	99,809	96,497	97,221	3	(1)
Net loans	43,713	43,080	40,134	1	7
of which Private Banking	32,877	35,331	33,405	(7)	6
Risk-weighted assets	37,156	31,474	34,605	18	(9)
Leverage exposure	106,375	105,585	108,926	1	(3)

2017 results

In 2017, income before taxes of CHF 729 million was stable compared to 2016 as lower net revenues were offset by lower total operating expenses and lower provision for credit losses. Lower net revenues of CHF 3,504 million were driven by lower fixed income and equity sales and trading revenues in our Markets business. Lower fixed income and trading revenues were primarily driven by decreased client activity in rates and lower revenues in foreign exchange products due to weaker trading performance. Lower equity sales and trading revenues were primarily driven by weaker results, reflecting a difficult trading environment that was characterized by persistently low levels of volatility and reduced client activity in equity derivatives, and the transition of the systematic market making business to International Wealth Management that was completed in the first quarter of 2017. These decreases were partially offset by higher net revenues in our Wealth Management & Connected business, reflecting higher Private Banking revenues, mainly from higher transaction-based revenues, and higher advisory, underwriting and financing revenues. Compared to 2016, total operating expenses of CHF 2,760 million decreased slightly, primarily reflecting lower compensation and benefits and lower commission expenses, mainly due to the transition of the systematic market making business, partially offset by higher restructuring expenses. Adjusted income before taxes of CHF 792 million increased slightly compared to 2016.

Capital and leverage metrics

As of the end of 2018, we reported risk-weighted assets of CHF 37.2 billion, an increase of CHF 5.7 billion compared to the end of 2017, primarily reflecting business growth in Wealth Management & Connected and methodology changes, partly offset by lower business usage in Markets. Leverage exposure was CHF 106.4 billion, an increase of CHF 0.8 billion compared to the end of 2017, reflecting higher HQLA, higher lending activities in Wealth Management & Connected and a foreign exchange impact, partially offset by lower business usage in Markets.

Reconciliation of adjusted results

	Wealth Management & Connected			Markets			Asia Pacific		
in	2018	2017	2016	2018	2017	2016	2018	2017	2016
Adjusted results (CHF million)									
Net revenues	**2,290**	**2,322**	**1,904**	**1,103**	**1,182**	**1,693**	**3,393**	**3,504**	**3,597**
Provision for credit losses	**25**	**15**	**29**	**10**	**–**	**(3)**	**35**	**15**	**26**
Total operating expenses	**1,574**	**1,508**	**1,386**	**1,120**	**1,252**	**1,460**	**2,694**	**2,760**	**2,846**
	(27)	(21)	(14)	(34)	(42)	(39)	(61)	(63)	(53)

Restructuring expenses									
Major litigation provisions	(79)	0	0	0	0	0	(79)	0	0
Adjusted total operating expenses	**1,468**	**1,487**	**1,372**	**1,086**	**1,210**	**1,421**	**2,554**	**2,697**	**2,793**
Income/(loss) before taxes	**691**	**799**	**489**	**(27)**	**(70)**	**236**	**664**	**729**	**725**
Total adjustments	106	21	14	34	42	39	140	63	53
Adjusted income/(loss) before taxes	**797**	**820**	**503**	**7**	**(28)**	**275**	**804**	**792**	**778**
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	14.5	15.0	14.8

Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in Credit Suisse for further information.

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Wealth Management & Connected

2018 results details

Income before taxes of CHF 691 million decreased 14% compared to 2017, reflecting higher total operating expenses, lower net revenues and higher provision for credit losses. Adjusted income before taxes of CHF 797 million decreased slightly compared to 2017.

Net revenues

Net revenues of CHF 2,290 million were stable compared to 2017, reflecting higher Private Banking revenues, offset by lower advisory, underwriting and financing revenues. Recurring commissions and fees increased 10% to CHF 420 million, primarily reflecting higher investment product management fees, fees from lending activities, discretionary mandate management fees and investment advisory fees. Net interest income was stable. Transaction-based revenues decreased 7% to CHF 563 million, mainly due to lower brokerage and product issuing fees. Advisory, underwriting and financing revenues decreased 5% to CHF 678 million, primarily due to lower financing revenues and debt underwriting revenues, partially offset by higher fees from M&A transactions and equity underwriting revenues. Financing revenues in 2018 included a negative net fair value impact of CHF 10 million from an impaired loan portfolio in recovery management compared to 2017, which included a gain of CHF 64 million from a pre-IPO financing and a positive net fair value impact of CHF 94 million from an impaired loan portfolio in recovery management.

Provision for credit losses

The Wealth Management & Connected loan portfolio primarily comprises Private Banking lombard loans, mainly backed by listed securities, and secured and unsecured loans to corporates.

In 2018, Wealth Management & Connected recorded a provision for credit losses of CHF 25 million relating to several individual cases, compared to a provision for credit losses of CHF 15 million in 2017.

Total operating expenses

Total operating expenses of CHF 1,574 million increased 4% compared to 2017, mainly reflecting higher general and administrative expenses. General and administrative expenses increased 19% to CHF 500 million, mainly due to higher litigation provisions. Litigation provisions recorded in 2018 primarily related to the US Department of Justice and US Securities and Exchange Commission (SEC) investigations regarding our hiring practices in the Asia Pacific region between 2007 and 2013, which have now been resolved. Compensation and benefits were stable, primarily reflecting lower discretionary compensation expenses, offset by higher deferred compensation expenses from prior-year awards. Adjusted total operating expenses of CHF 1,468 million were stable compared to 2017.

Margins

Margin calculations are aligned with the performance metrics of our Private Banking business and its related assets under management within the Wealth Management & Connected business.

Our **gross margin** was 79 basis points in 2018, nine basis points lower compared to 2017, mainly reflecting an 11.5% increase in average assets under management.

> Refer to “Assets under management” for further information.

Our **net margin** was 27 basis points in 2018, three basis points lower compared to 2017, mainly reflecting the increase in average assets under management.

Results - Wealth Management & Connected

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**2,290**	**2,322**	**1,904**	(1)	22
Provision for credit losses	**25**	**15**	**29**	67	(48)
Compensation and benefits	988	1,002	941	(1)	6
General and administrative expenses	500	421	384	19	10
Commission expenses	59	64	47	(8)	36
Restructuring expenses	27	21	14	29	50
Total other operating expenses	586	506	445	16	14
Total operating expenses	**1,574**	**1,508**	**1,386**	4	9
Income before taxes	**691**	**799**	**489**	(14)	63
Statement of operations metrics (%)					
Cost/income ratio	68.7	64.9	72.8	–	–
Net revenue detail (CHF million)					
Private Banking	1,612	1,607	1,374	–	17
of which net interest income	628	620	602	1	3
of which recurring commissions and fees	420	381	319	10	19
of which transaction-based revenues	563	606	469	(7)	29
of which other revenues	1	0	(16)	–	100
Advisory, underwriting and financing	678	715	530	(5)	35
Net revenues	**2,290**	**2,322**	**1,904**	(1)	22
Private Banking margins on assets under management (bp)					
Gross margin [1]	79	88	86	–	–
Net margin [2]	27	30	23	–	–
Number of relationship managers					
Number of relationship managers	580	590	640	(2)	(8)

Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management, discretionary mandate and other asset management-related fees, fees for general banking products and services and revenues from wealth structuring solutions. Transaction-based revenues arise primarily from brokerage and product issuing fees, fees from foreign exchange client transactions, trading and sales income, equity participations income and other transaction-based income.

1
Net revenues divided by average assets under management.

2
Income before taxes divided by average assets under management.

2017 results details

Income before taxes of CHF 799 million increased 63% compared to 2016, primarily reflecting significantly higher net revenues, partially offset by higher total operating expenses. Adjusted income before taxes of CHF 820 million increased 63% compared to 2016.

Net revenues

Net revenues of CHF 2,322 million increased 22% compared to 2016, reflecting higher Private Banking revenues, mainly from higher transaction-based revenues and higher advisory, underwriting and financing revenues. Transaction-based revenues increased 29% to CHF 606 million, mainly due to higher brokerage and product issuing and corporate advisory fees arising from integrated solutions. Recurring commissions and fees increased 19% to CHF 381 million, primarily reflecting higher investment product management, discretionary mandate management and security account and custody services fees. Net interest income increased slightly to CHF 620 million, reflecting higher average deposit and loan volumes, partially offset by slightly lower deposit margins and lower loan margins. Advisory, underwriting and financing revenues increased 35% to CHF 715 million, primarily due to higher financing and debt and equity underwriting revenues, partially offset by lower fees from M&A transactions. Financing revenues in 2017 included a gain of CHF 64 million from a pre-IPO financing and a positive net fair value impact of CHF 94 million from an impaired loan portfolio in recovery management.

Provision for credit losses

The Wealth Management & Connected loan portfolio primarily comprises Private Banking lombard loans, mainly backed by listed securities, and secured and unsecured loans to corporates.

In 2017, Wealth Management & Connected recorded a provision for credit losses of CHF 15 million relating to several individual cases, compared to a provision for credit losses of CHF 29 million in 2016.

Total operating expenses

Total operating expenses of CHF 1,508 million increased 9% compared to 2016, mainly reflecting higher compensation and benefits, higher general and administrative expenses and higher commission expenses. Compensation and benefits increased 6% to CHF 1,002 million, primarily driven by higher compliance, risk and IT compensation related expenses and higher discretionary compensation, reflecting growth-related higher headcount. General and administrative expenses increased 10% to CHF 421 million, mainly due to higher risk, IT infrastructure, finance and compliance expenses. Commission expenses of CHF 64 million increased 36%, primarily reflecting higher transaction-based revenues.

Assets under management

As of the end of **2018**, assets under management of CHF 201.7 billion were CHF 4.9 billion higher compared to the end of 2017, mainly reflecting net new assets of CHF 17.2 billion, partially offset by unfavorable market movements. Net new assets reflected inflows across most of our markets.

As of the end of **2017**, assets under management of CHF 196.8 billion were CHF 29.9 billion higher compared to the end of 2016, mainly reflecting net new assets of CHF 16.9 billion and favorable market movements. Net new assets reflected inflows primarily from Greater China, South East Asia, Japan and Australia.

Assets under management – Private Banking

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Assets under management (CHF billion)					
Assets under management	201.7	196.8	166.9	2.5	17.9
Average assets under management	203.3	182.3	159.5	11.5	14.3
Assets under management by currency (CHF billion)					
USD	106.4	98.2	82.5	8.4	19.0
EUR	5.8	6.7	4.6	(13.4)	45.7
CHF	1.8	2.5	2.0	(28.0)	25.0
Other	87.7	89.4	77.8	(1.9)	14.9
Assets under management	**201.7**	**196.8**	**166.9**	2.5	17.9
Growth in assets under management (CHF billion)					
Net new assets	17.2	16.9	13.6	–	–
Other effects	(12.3)	13.0	2.9	–	–
of which market movements	(13.2)	16.8	1.0	–	–
of which foreign exchange	(0.4)	(3.9)	4.8	–	–
of which other	1.3	0.1	(2.9)	–	–
Growth in assets under management	**4.9**	**29.9**	**16.5**	–	–
Growth in assets under management (%)					
Net new assets	8.7	10.1	9.0	–	–
Other effects	(6.2)	7.8	2.0	–	–
Growth in assets under management	**2.5**	**17.9**	**11.0**	–	–

Markets

2018 results details

Loss before taxes of CHF 27 million in 2018 compared to a loss before taxes of CHF 70 million in 2017. The related decrease of CHF 43 million reflected lower total operating expenses, partially offset by lower net revenues and higher provision for credit losses. Adjusted income before taxes of CHF 7 million in 2018 compared to an adjusted loss before taxes of CHF 28 million in 2017.

Net revenues

Net revenues of CHF 1,103 million decreased 7% compared to 2017, primarily reflecting the difficult trading environment in the second half of 2018. Equity sales and trading revenues decreased 7% to CHF 859 million, mainly due to lower revenues from equity derivatives, reflecting decreased client activity and the difficult trading environment. Fixed income sales and trading revenues decreased 7% to CHF 244 million, mainly due to lower revenues from rates, reflecting the unfavorable trading environment, partially offset by higher revenues from foreign exchange products, due to a stronger trading performance, and increased client activity in structured products and credit products.

Provision for credit losses

In 2018, Markets recorded a provision for credit losses of CHF 10 million related to a single case. No provision for credit losses was recorded in 2017.

Total operating expenses

Total operating expenses of CHF 1,120 million decreased 11% compared to 2017, reflecting lower compensation and benefits, general and administrative expenses, commission expenses and restructuring expenses. Compensation and benefits decreased 14% to CHF 515 million, mainly due to lower discretionary compensation expenses, allocated corporate function costs, deferred compensation expenses from prior-year awards and salary expenses. General and administrative expenses decreased 6% to CHF 387 million, mainly due to lower professional services fees and a provision release.

Results – Markets

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**1,103**	**1,182**	**1,693**	(7)	(30)
Provision for credit losses	**10**	**–**	**(3)**	–	100
Compensation and benefits	515	600	724	(14)	(17)
General and administrative expenses	387	410	452	(6)	(9)
Commission expenses	184	200	245	(8)	(18)
Restructuring expenses	34	42	39	(19)	8
Total other operating expenses	605	652	736	(7)	(11)
Total operating expenses	**1,120**	**1,252**	**1,460**	(11)	(14)
Income/(loss) before taxes	**(27)**	**(70)**	**236**	(61)	–
Statement of operations metrics (%)					
Cost/income ratio	101.5	105.9	86.2	–	–
Net revenue detail (CHF million)					
Equity sales and trading	859	920	1,162	(7)	(21)
Fixed income sales and trading	244	262	531	(7)	(51)
Net revenues	**1,103**	**1,182**	**1,693**	(7)	(30)

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2017 results details

Loss before taxes of CHF 70 million in 2017 compared to an income before taxes of CHF 236 million in 2016. The related decrease of CHF 306 million primarily reflected lower net revenues, partially offset by lower total operating expenses. Adjusted loss before taxes of CHF 28 million in 2017 compared to adjusted income before taxes of CHF 275 million in 2016.

Net revenues

Net revenues of CHF 1,182 million decreased 30% compared to 2016, due to lower fixed income and equity sales and trading revenues. Fixed income sales and trading revenues decreased 51% to CHF 262 million, mainly due to decreased client activity in rates and lower revenues in foreign exchange products due to weaker trading performance. Developed markets rates products revenue in 2016 included a positive impact of CHF 33 million resulting from an increase in the funding value of certain structured deposits originated in Asia Pacific. Equity sales and trading revenues decreased 21% to CHF 920 million, mainly due to lower revenues from equity derivatives from weaker trading performance and lower client activity, and the transition of the systematic market making business to International Wealth Management that was completed in the first quarter of 2017. In 2016, equity derivatives revenue included the positive impact of CHF 65 million in derivatives resulting from a recalibration of the valuation model for certain hybrid instruments.

Provision for credit losses

In 2017, Markets had no provision for credit losses, compared to a release of provision for credit losses of CHF 3 million in 2016.

Total operating expenses

Total operating expenses of CHF 1,252 million decreased 14% compared to 2016, mainly reflecting lower compensation and benefits, general and administrative expenses and commission expenses. Compensation and benefits decreased 17% to CHF 600 million, mainly due to lower deferred compensation expenses from prior-year awards and salary expenses, reflecting a decrease in headcount from the restructuring of the Markets business. General and administrative expenses decreased 9% to CHF 410 million, mainly due to lower regulatory-related allocations and lower withholding taxes. Commission expenses decreased 18% to CHF 200 million, primarily reflecting the transition of the systematic market making business. Adjusted total operating expenses of CHF 1,210 million decreased 15% compared to 2016.

Global Markets

In 2018, we reported income before taxes of CHF 154 million and net revenues of CHF 4,980 million. Net revenues decreased 10% compared to 2017, reflecting challenging operating conditions in our fixed income businesses.

Results summary

2018 results

In 2018, we reported income before taxes of CHF 154 million. Net revenues of CHF 4,980 million decreased 10% compared to 2017, primarily reflecting lower results across fixed income trading and underwriting and reduced cash equities revenues due to less favorable market conditions, partially offset by increased ITS performance due to substantially higher equity derivatives revenues. Fixed income sales and trading revenues decreased 9%, primarily driven by substantially lower revenues in our credit franchise, reflecting challenging operating conditions. Underwriting revenues decreased 6%, reflecting lower debt issuance activity due to higher market volatility. Equity sales and trading revenues decreased 2%, reflecting lower cash equities and prime services revenues, partially offset by substantially higher equity derivatives revenues. Total operating expenses of CHF 4,802 million decreased 5% compared to 2017, reflecting lower compensation and benefits, general and administrative expenses and commission expenses, partially offset by higher restructuring expenses. We reported an adjusted income before taxes of CHF 406 million in 2018.

Divisional results

			in / end of	% change	
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**4,980**	**5,551**	**5,497**	(10)	1
Provision for credit losses	**24**	**31**	**(3)**	(23)	–
Compensation and benefits	2,296	2,532	2,688	(9)	(6)
General and administrative expenses	1,773	1,839	2,038	(4)	(10)
Commission expenses	491	549	509	(11)	8
Goodwill impairment	0	0	0	–	–
Restructuring expenses	242	150	217	61	(31)
Total other operating expenses	2,506	2,538	2,764	(1)	(8)
Total operating expenses	**4,802**	**5,070**	**5,452**	(5)	(7)
Income before taxes	**154**	**450**	**48**	(66)	–
Statement of operations metrics (%)					
Return on regulatory capital	1.2	3.2	0.4	–	–
Cost/income ratio	96.4	91.3	99.2	–	–
Balance sheet statistics (CHF million, except where indicated)					
Total assets	211,530	242,159	239,700	(13)	1
Risk-weighted assets	59,016	58,858	51,713	0	14
Risk-weighted assets (USD)	59,836	60,237	50,556	(1)	19
Leverage exposure	245,664	283,809	284,143	(13)	0
Leverage exposure (USD)	249,076	290,461	277,787	(14)	5
Number of employees (full-time equivalents)					
Number of employees	11,350	11,740	11,530	(3)	2

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Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

in	2018	2017	2016	% change 18 / 17	% change 17 / 16
Net revenue detail (CHF million)					
Fixed income sales and trading	2,649	2,922	2,599	(9)	12
Equity sales and trading	1,709	1,750	2,157	(2)	(19)
Underwriting	1,047	1,115	957	(6)	17
Other	(425)	(236)	(216)	80	9
Net revenues	**4,980**	**5,551**	**5,497**	(10)	1

Reconciliation of adjusted results

	Global Markets		
in	2018	2017	2016
Adjusted results (CHF million)			
Net revenues	**4,980**	**5,551**	**5,497**
Provision for credit losses	**24**	**31**	**(3)**
Total operating expenses	**4,802**	**5,070**	**5,452**
Restructuring expenses	(242)	(150)	(217)
Major litigation provisions	(10)	0	(7)
Expenses related to business sales	0	(8)	0
Adjusted total operating expenses	**4,550**	**4,912**	**5,228**
Income before taxes	**154**	**450**	**48**
Total adjustments	252	158	224
Adjusted income before taxes	**406**	**608**	**272**
Adjusted return on regulatory capital (%)	3.1	4.3	2.0

Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in Credit Suisse for further information.

2017 results

In 2017, we reported income before taxes of CHF 450 million. Net revenues of CHF 5,551 million were stable compared to 2016, as substantially higher securitized products revenues and increased underwriting activity were offset by challenging equity trading conditions which resulted in low levels of client activity, particularly in ITS. Fixed income sales and trading revenues increased 12%, underwriting revenues increased 17% and equity sales and trading revenues declined 19%. Total operating expenses were CHF 5,070 million, down 7% compared to 2016, reflecting lower compensation and benefits, reduced allocated corporate function costs and lower restructuring costs. We reported an adjusted income before taxes of CHF 608 million in 2017.

Capital and leverage metrics

As of the end of 2018, we reported risk-weighted assets of USD 59.8 billion, stable compared to 2017 and in line with our 2018 threshold of USD 60 billion. Leverage exposure was USD 249.1 billion, in line with our 2018 threshold of USD 290 billion. Leverage exposure decreased USD 41.4 billion compared to 2017, reflecting lower business activity and the ITS recalibration in the second quarter of 2018.

2018 results details

Revenues reflected a change in the intra-divisional funding cost allocation methodology between fixed income sales and trading and equity sales and trading in the fourth quarter of 2018 due to ongoing work on the implementation of the net stable funding ratio framework. In the first quarter of 2018, the US GAAP accounting standard pertaining to revenue recognition was adopted. As a result, both net revenues and operating expenses in Global Markets increased CHF 32 million in 2018.

Fixed income sales and trading

Fixed income sales and trading revenues of CHF 2,649 million decreased 9% compared to 2017, primarily driven by substantially lower revenues in our credit franchise reflecting challenging operating conditions. Securitized products revenues decreased significantly compared to a strong 2017, reflecting lower client activity across agency and non-agency trading, partially offset by continued momentum in our asset finance business and a significant gain from the sale of an investment. Global credit products revenues decreased, primarily due to lower leveraged finance revenues, reflecting high levels of volatility and widening US high yield spreads in the second half of the year. Emerging markets revenues decreased, reflecting a substantial decline in Brazil trading due to significantly lower client activity and rationalization of the business, partially offset by higher structured credit revenues across regions. In addition, macro products revenues decreased, reflecting the adverse impact of rationalizing the business partially offset by higher foreign exchange results.

Equity sales and trading

Equity sales and trading revenues of CHF 1,709 million decreased 2% compared to 2017, primarily reflecting lower cash equities and prime services revenues, partially offset by substantially higher equity derivatives revenues. Cash equities revenues decreased, reflecting lower trading activity. In addition, prime services revenues declined primarily reflecting lower prime brokerage in line with market indices and reduced client financing revenues, partially offset by higher commissions in listed derivatives. This was partially offset by significantly increased equity derivatives revenues, albeit compared to a subdued 2017, reflecting higher volatility and benefits from continued investments in the business.

Underwriting

Underwriting revenues of CHF 1,047 million decreased 6% compared to 2017, reflecting lower debt issuance activity due to higher market volatility. Debt underwriting revenues decreased, primarily due to lower leveraged finance and investment grade revenues. This was partially offset by higher equity underwriting revenues.

Provision for credit losses

Global Markets recorded a provision for credit losses of CHF 24 million in 2018 compared to CHF 31 million in 2017.

Total operating expenses

Compared to 2017, total operating expenses of CHF 4,802 million decreased 5%, reflecting lower compensation and benefits, reduced general and administrative expenses and lower commissions expenses, partially offset by higher restructuring expenses. Compensation and benefits decreased 9%, reflecting lower deferred compensation expenses from prior-year awards, reduced discretionary compensation and lower salary expenses. General and administrative expenses decreased, reflecting lower professional services fees and lower allocated corporate function costs. In addition, we incurred restructuring expenses of CHF 242 million, reflecting the results of our cost efficiency measures.

2017 results details

Revenues reflected a change in the intra-divisional funding cost allocation methodology between fixed income sales and trading and equity sales and trading in the fourth quarter of 2017 due to ongoing work on the implementation of the net stable funding ratio framework.

Fixed income sales and trading

Fixed income sales and trading revenues of CHF 2,922 million increased 12% compared to 2016, primarily due to substantially higher securitized products revenues reflecting strength across all products. This was partially offset by substantially lower macro products revenues reflecting weak US rates results due to subdued volatility and our reduced issuance of structured notes. Emerging markets revenues decreased, reflecting a substantial decline in Brazil financing due to significantly lower client activity compared to more favorable market conditions in 2016. In addition, global credit products revenues decreased, driven by lower investment grade trading and leveraged finance revenues in light of continued low volatility and tighter credit spreads.

Equity sales and trading

Equity sales and trading revenues of CHF 1,750 million decreased 19% compared to 2016, reflecting lower systematic market revenues driven by the transition of the business to International Wealth Management that was completed in the first quarter of 2017, coupled with a difficult trading environment. Equity derivatives revenues decreased significantly due to continued low levels of volatility, which negatively impacted flow derivatives. Prime services revenues declined primarily reflecting lower client financing revenues given a low trading volume environment. Cash equities revenues were stable in a difficult trading environment.

Underwriting

Underwriting revenues of CHF 1,115 million increased 17% compared to 2016, reflecting increased issuance activity due to a low volatility market environment. Debt underwriting revenues increased, primarily due to significantly higher leveraged finance revenues. In addition, equity underwriting revenues increased, due to significantly higher primary issuance volumes.

Provision for credit losses

Global Markets recorded a provision for credit losses of CHF 31 million in 2017. In 2016 we recorded a release of provision for credit losses of CHF 3 million. The release of provision reflected the stabilization in the energy sector.

Total operating expenses

Compared to 2016, total operating expenses of CHF 5,070 million decreased 7%, reflecting lower compensation and benefits, reduced general and administrative expenses and lower restructuring costs. Compensation and benefits decreased 6%, reflecting lower deferred compensation expenses from prior-year awards, lower salary and reduced discretionary compensation expenses. General and administrative expenses decreased, primarily due to lower allocated corporate function costs. In addition, we incurred restructuring expenses of CHF 150 million.

Investment Banking & Capital Markets

In 2018, we reported income before taxes of CHF 344 million and net revenues of CHF 2,177 million. Net revenues increased 2% compared to 2017, driven by strong M&A performance but with lower financing activity across the market.

Results summary

2018 results

In 2018, we reported income before taxes of CHF 344 million. Net revenues of CHF 2,177 million increased 2% compared to 2017, due to higher revenues from advisory and other fees, partially offset by lower debt and equity underwriting revenues. Advisory and other fees of CHF 950 million increased 23%, mainly reflecting higher revenues from completed M&A transactions. Debt underwriting revenues of CHF 934 million decreased 9%, driven by lower leveraged finance and debt capital market revenues, partially offset by higher derivatives financing revenues. Equity underwriting revenues of CHF 314 million decreased 19%, driven by decreased follow-on activity, including a loss on a single block trade, and lower rights offerings, partially offset by higher revenues from equity derivatives and initial public offering (IPO) issuances. Total operating expenses of CHF 1,809 million increased 4%, primarily due to higher general and administrative expenses and restructuring expenses. Adjusted income before taxes was CHF 429 million in 2018.

Divisional results

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**2,177**	**2,139**	**1,972**	2	8
Provision for credit losses	**24**	**30**	**20**	(20)	50
Compensation and benefits	1,249	1,268	1,218	(1)	4
General and administrative expenses	467	423	443	10	(5)
Commission expenses	9	7	2	29	250
Goodwill impairment	0	0	0	–	–
Restructuring expenses	84	42	28	100	50
Total other operating expenses	560	472	473	19	–
Total operating expenses	**1,809**	**1,740**	**1,691**	4	3
Income before taxes	**344**	**369**	**261**	(7)	41
Statement of operations metrics (%)					
Return on regulatory capital	10.9	13.7	10.7	–	–
Cost/income ratio	83.1	81.3	85.8	–	–
Balance sheet statistics (CHF million, except where indicated)					
Total assets	16,156	20,803	20,784	(22)	0
Risk-weighted assets	24,190	20,058	18,027	21	11
Risk-weighted assets (USD)	24,526	20,528	17,624	19	16
Leverage exposure	40,485	43,842	45,571	(8)	(4)
Leverage exposure (USD)	41,047	44,870	44,552	(9)	1
Number of employees (full-time equivalents)					
Number of employees	3,100	3,190	3,090	(3)	3

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Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

in	2018	2017	2016	% change 18 / 17	% change 17 / 16
Net revenue detail (CHF million)					
Advisory and other fees	950	770	849	23	(9)
Debt underwriting	934	1,030	934	(9)	10
Equity underwriting	314	386	312	(19)	24
Other	(21)	(47)	(123)	(55)	(62)
Net revenues	**2,177**	**2,139**	**1,972**	2	8

Reconciliation of adjusted results

	Investment Banking & Capital Markets		
in	2018	2017	2016
Adjusted results (CHF million)			
Net revenues	**2,177**	**2,139**	**1,972**
Provision for credit losses	**24**	**30**	**20**
Total operating expenses	**1,809**	**1,740**	**1,691**
Restructuring expenses	(84)	(42)	(28)
Major litigation provisions	(1)	0	0
Adjusted total operating expenses	**1,724**	**1,698**	**1,663**
Income before taxes	**344**	**369**	**261**
Total adjustments	85	42	28
Adjusted income before taxes	**429**	**411**	**289**
Adjusted return on regulatory capital (%)	13.6	15.2	11.9

Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in Credit Suisse for further information.

2017 results

In 2017, we reported income before taxes of CHF 369 million. Net revenues of CHF 2,139 million increased 8% compared to 2016, due to higher revenues from debt underwriting and equity underwriting, partially offset by lower revenues in advisory and other fees. Debt underwriting revenues of CHF 1,030 million increased 10%, driven by higher leveraged finance revenues, partially offset by lower derivatives financing revenues. Equity underwriting revenues of CHF 386 million increased 24%, primarily reflecting an increase in the overall industry-wide fee pool driven by strong IPO activity. Advisory and other fees of CHF 770 million decreased 9%, mainly reflecting lower revenues from completed M&A transactions. Total operating expenses of CHF 1,740 million increased 3%, primarily due to higher compensation and benefits and restructuring expenses. Adjusted income before taxes was CHF 411 million in 2017.

Capital and leverage metrics

As of the end of 2018, risk-weighted assets were USD 24.5 billion, an increase of USD 4.0 billion compared to the end of 2017. The change was primarily driven by growth in the lending portfolio and underwriting commitments, the new operational risk allocation key in the first quarter of 2018 and the impact of methodology changes. We reported leverage exposure of USD 41.0 billion, a decrease of USD 3.8 billion compared to the end of 2017, primarily driven by the realignment of our HQLA allocations in the first quarter of 2018.

2018 results details

In the first quarter of 2018, the US GAAP accounting standard pertaining to revenue recognition was adopted. As a result, both net revenues and operating expenses in Investment Banking & Capital Markets increased CHF 59 million in 2018.

Advisory and other fees

In 2018, revenues from advisory and other fees of CHF 950 million increased 23% compared to 2017, primarily driven by higher revenues from completed M&A transactions across the Americas and EMEA regions, with share of wallet gains in EMEA. Share of wallet refers to our share of the industry-wide fee pool for the respective products.

Debt underwriting

In 2018, debt underwriting revenues of CHF 934 million decreased 9% compared to 2017, primarily driven by lower leveraged finance activity and lower revenues from debt capital markets, partially offset by increased derivatives financing revenues.

Equity underwriting

In 2018, equity underwriting revenues of CHF 314 million decreased 19% compared to 2017, reflecting a decrease in the overall industry-wide fee pool. Performance was impacted by lower revenues from follow-on activity, including the loss on a single block trade, and rights offerings, partially offset by higher revenues from equity derivatives and IPO issuances.

Provision for credit losses

In 2018, Investment Banking & Capital Markets recorded a provision for credit losses of CHF 24 million, driven by adverse developments on non-fair valued loans in our corporate lending portfolio, partially offset by a release of provisions relating to two counterparties.

Total operating expenses

Total operating expenses of CHF 1,809 million increased 4% compared to 2017, primarily due to higher general and administrative expenses and restructuring expenses. General and administrative expenses increased 10%, mainly driven by higher costs due to the adoption of the new revenue recognition accounting standard. During 2018 we incurred restructuring expenses of CHF 84 million, compared to CHF 42 million incurred in 2017, reflecting targeted headcount reductions.

2017 results details

Advisory and other fees

In 2017, revenues from advisory and other fees of CHF 770 million decreased 9% compared to 2016, mainly reflecting lower revenues from completed M&A transactions, despite an increase in our share of wallet for those transactions. Share of wallet refers to our share of the industry-wide fee pool for the respective products.

Debt underwriting

In 2017, debt underwriting revenues of CHF 1,030 million increased 10% compared to 2016, driven by significantly higher leveraged finance revenues partially offset by lower derivatives financing revenues.

Equity underwriting

In 2017, equity underwriting revenues of CHF 386 million increased 24% compared to 2016, primarily reflecting an increase in the overall industry-wide fee pool driven by strong IPO activity.

Provision for credit losses

In 2017, Investment Banking & Capital Markets recorded a provision for credit losses of CHF 30 million including increased provisions reflecting a methodology change for probable losses inherent in the portfolio relating to the period of time expected to identify defaults once they have occurred and provisions relating to a single counterparty.

Total operating expenses

Total operating expenses of CHF 1,740 million increased 3% compared to 2016, primarily due to higher deferred compensation expenses from prior year awards, allocated corporate function costs, mainly reflecting targeted investments in our IT and compliance functions, and restructuring expenses. These increases were partially offset by a lower discretionary compensation accrual.

Global advisory and underwriting revenues

The Group's global advisory and underwriting business operates across multiple business divisions that work in close collaboration with each other to generate these revenues. In order to reflect the global performance and capabilities of this business and for enhanced comparability versus its peers, the following table aggregates total advisory and underwriting revenues for the Group into a single metric in US dollar terms before cross-divisional revenue sharing agreements.

		in	% change
	2018	2017	YoY
Global advisory and underwriting revenues (USD million)			
Advisory and other fees	1,163	935	24
Debt underwriting	2,050	2,292	(11)
Equity underwriting	830	906	(8)
Global advisory and underwriting revenues	**4,043**	**4,133**	**(2)**

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Strategic Resolution Unit

In 2018, we reported a loss before taxes of CHF 1,381 million and decreased risk-weighted assets by USD 16.2 billion and leverage exposure by USD 31.3 billion compared to the end of 2017.

Results summary

2018 results

In 2018, we reported a loss before taxes of CHF 1,381 million and negative net revenues of CHF 708 million compared to a loss before taxes of CHF 2,135 million and negative net revenues of CHF 886 million in 2017. In 2018, we reported an adjusted loss before taxes of CHF 1,240 million, compared to CHF 1,847 million in 2017. Negative net revenues of CHF 708 million in 2018 were primarily driven by overall funding costs and valuation adjustments across our legacy investment banking portfolio, partially offset by revenues from our legacy cross-border and small markets businesses. Provision for credit losses was CHF 1 million in 2018 compared to CHF 32 million in 2017. Total operating expenses were CHF 672 million in 2018, including CHF 385 million of general and administrative expenses, of which CHF 132 million were litigation provisions, and CHF 254 million of compensation and benefits. In 2018, we reported adjusted total operating expenses of CHF 530 million.

Divisional results

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Net revenues	**(708)**	**(886)**	**(1,271)**	(20)	(30)
of which from noncontrolling interests without significant economic interest	(8)	45	27	–	67
Provision for credit losses	**1**	**32**	**111**	(97)	(71)
Compensation and benefits	254	332	612	(23)	(46)
General and administrative expenses	385	796	3,590	(52)	(78)
of which litigation provisions	132	300	2,792	(56)	(89)
Commission expenses	12	32	54	(63)	(41)
Restructuring expenses	21	57	121	(63)	(53)
Total other operating expenses	418	885	3,765	(53)	(76)
Total operating expenses	**672**	**1,217**	**4,377**	(45)	(72)
of which from noncontrolling interests without significant economic interest	4	10	23	(60)	(57)
Income/(loss) before taxes	**(1,381)**	**(2,135)**	**(5,759)**	(35)	(63)
of which from noncontrolling interests without significant economic interest	(12)	35	4	–	–
Balance sheet statistics (CHF million, except where indicated)					
Total assets	20,874	45,629	80,297	(54)	(43)
Risk-weighted assets	17,926	33,613	45,441	(47)	(26)
Risk-weighted assets (USD)	18,175	34,401	44,425	(47)	(23)
Leverage exposure	29,579	59,934	105,768	(51)	(43)
Leverage exposure (USD)	29,990	61,339	103,402	(51)	(41)
Number of employees (full-time equivalents)					
Number of employees	1,320	1,530	1,830	(14)	(16)

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Divisional results (continued)

			in	% change	
	2018	2017	2016	18 / 17	17 / 16
Net revenue detail (CHF million)					
Restructuring of select onshore businesses	1	31	154	(97)	(80)
Legacy cross-border and small markets businesses	53	121	194	(56)	(38)
Legacy asset management positions	12	(79)	(90)	–	(12)
Legacy investment banking portfolio	(453)	(697)	(1,253)	(35)	(44)
Legacy funding costs	(315)	(337)	(315)	(7)	7
Other	2	30	12	(93)	150
Noncontrolling interests without significant economic interest	(8)	45	27	–	67
Net revenues	**(708)**	**(886)**	**(1,271)**	(20)	(30)

Reconciliation of adjusted results

	Strategic Resolution Unit		
in	2018	2017	2016
Adjusted results (CHF million)			
Net revenues	**(708)**	**(886)**	**(1,271)**
Real estate gains	(1)	0	(4)
(Gains)/losses on business sales	0	(38)	6
Adjusted net revenues	**(709)**	**(924)**	**(1,269)**
Provision for credit losses	**1**	**32**	**111**
Total operating expenses	**672**	**1,217**	**4,377**
Restructuring expenses	(21)	(57)	(121)
Major litigation provisions	(117)	(269)	(2,693)
Expenses related to business sales	(4)	0	0
Adjusted total operating expenses	**530**	**891**	**1,563**
Income/(loss) before taxes	**(1,381)**	**(2,135)**	**(5,759)**
Total adjustments	141	288	2,816
Adjusted income/(loss) before taxes	**(1,240)**	**(1,847)**	**(2,943)**

Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in Credit Suisse for further information.

2017 results

In 2017, we reported a loss before taxes of CHF 2,135 million, compared to a loss before taxes of CHF 5,759 million in 2016 that included significant litigation provisions of CHF 2,792 million, primarily related to the settlements with the DOJ and the NCUA regarding our legacy RMBS business. In 2017, we reported an adjusted loss before taxes of CHF 1,847 million, compared to CHF 2,943 million in 2016. Negative net revenues of CHF 886 million in 2017 were driven by overall funding costs, valuation adjustments and exit costs, partially offset by revenues from our legacy cross-border and small markets businesses. Valuation adjustments in 2017 primarily reflected mark-to-market losses on our legacy investment banking portfolio. Provision for credit losses was CHF 32 million in 2017 compared to CHF 111 million in 2016. Total operating expenses were CHF 1,217 million in 2017, including CHF 796 million of general and administrative expenses, of which CHF 300 million were litigation provisions, and CHF 332 million of compensation and benefits. In 2017, we reported adjusted total operating expenses of CHF 891 million.

Capital and leverage metrics

As of the end of 2018, we reported risk-weighted assets of USD 18.2 billion, a decrease of USD 16.2 billion compared to the end of 2017. Leverage exposure was USD 30.0 billion as of the end of 2018, reflecting a decrease of USD 31.3 billion compared to the end of 2017. These decreases were primarily achieved through a broad range of transactions, including restructuring, compression and unwinds in the derivatives portfolio, the sale of emerging markets and residual ship finance loans and mitigation of certain residual illiquid asset management exposures.

Development of the Strategic Resolution Unit

In the fourth quarter of 2015, we formed the Strategic Resolution Unit to oversee the effective wind-down of businesses and positions that did not fit our strategic direction in the most efficient manner possible. Beginning in 2019, the Strategic Resolution Unit has ceased to exist as a separate division of the Group. The residual portfolio remaining as of December 31, 2018 is now managed in an Asset Resolution Unit and will be separately disclosed within the Corporate Center.

> Refer to "Development of the Strategic Resolution Unit" in I – Information on the company – Divisions – Strategic Resolution Unit for further information.

2018 results details

Net revenues

We reported negative net revenues of CHF 708 million in 2018 compared to negative net revenues of CHF 886 million in 2017. The improvement was primarily driven by lower overall funding costs and lower exit costs, partially offset by a reduction in fee-based revenues as a result of business exits and higher negative valuation adjustments.

Provision for credit losses

Provision for credit losses was CHF 1 million in 2018 compared to CHF 32 million in 2017. Provisions in 2017 were primarily related to corporate loans, the disposal of a portfolio of senior financing on US middle market loans and ship finance exposures.

Total operating expenses

Total operating expenses of CHF 672 million decreased by CHF 545 million, a decline of 45% compared to 2017, primarily due to lower general and administrative expenses and lower compensation and benefits. General and administrative expenses of CHF 385 million decreased 52%, including lower litigation provisions, mainly in connection with mortgage-related matters, and a reduction in costs related to the settlements with US authorities regarding US cross-border matters, some of which related to the work performed by the DFS monitor. Compensation and benefits of CHF 254 million decreased 23%, primarily as a result of the reduced size of the division and various cost reduction initiatives. Adjusted total operating expenses were CHF 530 million in 2018, compared to CHF 891 million in 2017, a decline of 41%.

2017 results details

Net revenues

We reported negative net revenues of CHF 886 million in 2017 compared to negative net revenues of CHF 1,271 million in 2016. The improvement was driven by lower negative valuation adjustments, a reduction in overall funding costs and lower exit losses primarily related to the sale of loan and financing portfolios, partially offset by a reduction in fee-based revenues as a result of accelerated business exits.

Provision for credit losses

Provision for credit losses was CHF 32 million in 2017 compared to CHF 111 million in 2016. Provisions in 2017 were primarily related to corporate loans, the disposal of a portfolio of senior financing on US middle market loans and ship finance exposures. Provisions in 2016 were primarily related to the ship finance sector.

Total operating expenses

Total operating expenses of CHF 1,217 million decreased CHF 3,160 million, a decline of 72% compared to 2016, primarily due to lower general and administrative expenses and lower compensation and benefits. General and administrative expenses of CHF 796 million decreased 78%, including significantly lower litigation provisions, a decrease of CHF 2,492 million as 2016 included significant litigation provisions of CHF 2,792 million, primarily related to the RMBS settlements. Compensation and benefits of CHF 332 million decreased 46%, primarily from the restructuring of select onshore businesses, including cost reduction initiatives relating to the exit of our US onshore and Western European private banking businesses. Total operating expenses in 2017 included costs of CHF 177 million to meet requirements related to the settlements with US authorities regarding US cross-border matters, some of which relates to the work performed by the DFS monitor. Adjusted total operating expenses were CHF 891 million in 2017, compared to CHF 1,563 million in 2016, a decline of 43%.

Corporate Center

In 2018, we reported a loss before taxes of CHF 239 million compared to a loss of CHF 736 million in 2017.

Corporate Center composition

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group, including costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements, and certain other expenses and revenues that have not been allocated to the segments. Corporate Center also includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

Treasury results include the impact of volatility in the valuations of certain central funding transactions such as structured notes issuances and swap transactions. Since the second quarter of 2017, treasury results have also included additional interest charges from transfer pricing to align funding costs to assets held in the Corporate Center.

Other revenues include required elimination adjustments associated with trading in own shares, treasury commissions charged to divisions and, since the third quarter of 2017, the cost of certain hedging transactions executed in connection with the Group's risk-weighted assets.

Compensation and benefits include fair value adjustments on certain deferred compensation plans not allocated to the segments and certain deferred compensation retention awards intended to support the restructuring of the Group, mainly relating to Global Markets and Investment Banking & Capital Markets predominantly through the end of 2017 and to Asia Pacific predominantly through the end of 2018. Since the third quarter of 2018, compensation and benefits have also included fair value adjustments on certain other long-dated legacy deferred compensation and retirement programs mainly relating to former employees.

Results summary

2018 results

In 2018, we reported a loss before taxes of CHF 239 million compared to CHF 736 million in 2017. The decreased loss before taxes in 2018 was primarily driven by lower total operating expenses.

Net revenues of CHF 100 million increased CHF 15 million compared to 2017. Treasury results of CHF 13 million in 2018 mainly reflected gains of CHF 200 million with respect to structured notes volatility, of which CHF 165 million related to valuation model enhancements, gains of CHF 123 million relating to hedging volatility and gains of CHF 61 million relating to fair value option volatility on own debt, partially offset by negative revenues of CHF 362 million relating to funding activities. Other revenues of CHF 87 million increased CHF 58 million compared to 2017, mainly reflecting reduced costs relating to hedging transactions executed in connection with the Group's risk-weighted assets and the elimination of losses from trading in own shares compared to gains in 2017, partially offset by a negative valuation impact from long-dated legacy deferred compensation and retirement programs and a loss relating to the final liquidation of our subsidiary in Johannesburg.

Corporate Center results

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Statements of operations (CHF million)					
Treasury results	13	56	(160)	(77)	–
Other	87	29	231	200	(87)
Net revenues	**100**	**85**	**71**	18	20
Provision for credit losses	**0**	**0**	**(1)**	–	100
Compensation and benefits	128	398	270	(68)	47
General and administrative expenses	160	364	406	(56)	(10)
Commission expenses	49	45	76	9	(41)
Restructuring expenses	2	14	7	(86)	100
Total other operating expenses	211	423	489	(50)	(13)
Total operating expenses	**339**	**821**	**759**	(59)	8
Income/(loss) before taxes	**(239)**	**(736)**	**(687)**	(68)	7
Balance sheet statistics (CHF million)					
Total assets	104,411	67,591	62,413	54	8

Risk-weighted assets [1]	29,703	23,849	17,338	25	38
Leverage exposure [1]	105,247	67,034	59,374	57	13

1
Disclosed on a look-through basis.
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Total operating expenses of CHF 339 million decreased 59% compared to 2017, primarily reflecting decreases in compensation and benefits and general and administrative expenses. Compensation and benefits of CHF 128 million decreased 68%, primarily reflecting lower deferred compensation expenses from prior-year awards and lower retention award expenses. General and administrative expenses of CHF 160 million decreased 56%, mainly due to the absence of the impact from the settlement with the DFS in 2017 relating to certain areas of our foreign exchange trading business and reduced expenses relating to the continuing evolution of our legal entity structure. In 2018, we recorded expenses of CHF 159 million, compared to CHF 240 million in 2017, with respect to the evolution of our legal entity structure.

Capital and leverage metrics

As of the end of 2018, we reported risk-weighted assets of CHF 29.7 billion, reflecting an increase of CHF 5.9 billion compared to the end of 2017. The increase was primarily driven by methodology and policy changes, increased risk levels and model and parameter updates.

Leverage exposure was CHF 105.2 billion as of the end of 2018, reflecting an increase of CHF 38.2 billion compared to December 31, 2017, mainly reflecting a CHF 35.5 billion impact from the realignment of our HQLA allocations in the first quarter of 2018.

> Refer to “Regulatory capital” in Credit Suisse for further information.

2017 results

In 2017, we reported a loss before taxes of CHF 736 million compared to CHF 687 million in 2016. The increased loss before taxes in 2017 was primarily driven by higher total operating expenses, partially offset by an increase in net revenues.

Net revenues of CHF 85 million increased CHF 14 million compared to 2016. Treasury results of CHF 56 million in 2017 reflected gains with respect to structured notes volatility of CHF 503 million, partially offset by negative revenues of CHF 257 million relating to funding activities, losses of CHF 118 million relating to hedging volatility and losses of CHF 74 million relating to fair-valued money market instruments. The 2017 structured notes volatility was substantially composed of the positive impact of CHF 412 million from the enhancements in the third and fourth quarters of 2017 to the valuation methodology relating to the instrument-specific credit risk on fair value option elected structured notes, of which CHF 338 million was reallocated between accumulated other comprehensive income/(loss) (AOCI) and net income. In 2017, we were in the process of migrating our structured notes portfolio to a new target operating model that allows for a more granular and precise valuation of the individual notes. This migration became sufficiently advanced during the third and fourth quarters of 2017 with respect to the rates sub-portfolio to allow for this change in estimate.

Total operating expenses of CHF 821 million increased 8% compared to 2016, primarily reflecting an increase in compensation and benefits, partially offset by a decrease in general and administrative expenses. Compensation and benefits of CHF 398 million increased 47%, mainly reflecting higher deferred compensation expenses from prior year awards. General and administrative expenses of CHF 364 million decreased 10%, mainly due to lower expenses related to the evolution of our legal entity structure, partially offset by a CHF 127 million impact from the settlement with the DFS relating to certain areas of our foreign exchange trading business and the impact from a provision for indirect taxes.

Expense allocation to divisions

			in / end of		% change
	2018	2017	2016	18 / 17	17 / 16
Expense allocation to divisions (CHF million)					
Compensation and benefits	2,748	3,076	2,924	(11)	5
General and administrative expenses	2,212	2,573	2,962	(14)	(13)
Commission expenses	49	45	76	9	(41)
Restructuring expenses	372	158	166	135	(5)
Total other operating expenses	2,633	2,776	3,204	(5)	(13)
Total operating expenses before allocations to divisions	**5,381**	**5,852**	**6,128**	(8)	(5)
Net allocation to divisions	5,042	5,031	5,369	0	(6)

of which Swiss Universal Bank	1,056	1,078	1,071	(2)	1
of which International Wealth Management	876	864	841	1	3
of which Asia Pacific	780	777	702	0	11
of which Global Markets	1,708	1,645	1,878	4	(12)
of which Investment Banking & Capital Markets	358	346	304	3	14
of which Strategic Resolution Unit	264	321	573	(18)	(44)
Total operating expenses	**339**	**821**	**759**	(59)	8

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

Assets under management

As of the end of 2018, assets under management were CHF 1,347.3 billion, 2.1% lower compared to the end of 2017, with net new assets of CHF 56.5 billion.

Assets under management

Assets under management comprise assets that are placed with us for investment purposes and include discretionary and advisory counterparty assets.

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by the Asset Management business of International Wealth Management for other businesses are reported in each applicable business and eliminated at the Group level.

Advisory assets include assets placed with us where the client is provided access to investment advice but retains discretion over investment decisions.

Assets under management and net new assets include assets managed by consolidated entities, joint ventures and strategic participations. Assets from joint ventures and participations are counted in proportion to our share in the respective entity.

Assets under management and client assets

			end of		% change
	2018	2017	2016	18 / 17	17 / 16
Assets under management (CHF billion)					
Swiss Universal Bank – Private Clients	198.0	208.3	192.2	(4.9)	8.4
Swiss Universal Bank – Corporate & Institutional Clients	348.7	354.7	339.3	(1.7)	4.5
International Wealth Management – Private Banking	357.5	366.9	323.2	(2.6)	13.5
International Wealth Management – Asset Management	388.7	385.6	321.6	0.8	19.9
Asia Pacific – Private Banking	201.7	196.8	166.9	2.5	17.9
Strategic Resolution Unit	0.5	5.0	13.7	(90.0)	(63.5)
Assets managed across businesses [1]	(147.8)	(141.2)	(105.8)	4.7	33.5
Assets under management	**1,347.3**	**1,376.1**	**1,251.1**	(2.1)	10.0
of which discretionary assets	442.9	452.5	404.3	(2.1)	11.9
of which advisory assets	904.4	923.6	846.8	(2.1)	9.1
Client assets (CHF billion) [2]					
Swiss Universal Bank – Private Clients	231.2	241.0	218.5	(4.1)	10.3
Swiss Universal Bank – Corporate & Institutional Clients	454.5	463.8	447.8	(2.0)	3.6
International Wealth Management – Private Banking	430.5	466.0	423.4	(7.6)	10.1
International Wealth Management – Asset Management	388.7	385.6	321.6	0.8	19.9
Asia Pacific – Private Banking	245.4	255.5	202.8	(4.0)	26.0
Strategic Resolution Unit	2.4	8.5	19.8	(71.8)	(57.1)
Assets managed across businesses [1]	(147.7)	(141.2)	(105.8)	4.6	33.5
Client assets	**1,605.0**	**1,679.2**	**1,528.1**	(4.4)	9.9

1

Represents assets managed by Asset Management within International Wealth Management for the other businesses.

2
Client assets is a broader measure than assets under management as it includes transactional accounts and assets under custody (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

Net new assets

Net new assets include individual cash payments, delivery of securities and cash flows resulting from loan increases or repayments.

Interest and dividend income credited to clients and commissions, interest and fees charged for banking services as well as changes in assets under management due to currency and market volatility are not taken into account when calculating net new assets. Any such changes are not directly related to the Group's success in acquiring assets under management. Similarly structural effects mainly relate to asset inflows and outflows due to acquisition or divestiture, exit from businesses or markets or exits due to new regulatory requirements and are not taken into account when calculating net new assets. The Group reviews relevant policies regarding client assets on a regular basis. 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 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 the first quarter of 2019.

Results summary

2018 results

As of the end of 2018, assets under management were CHF 1,347.3 billion, a decrease of CHF 28.8 billion compared to the end of 2017. The decrease was driven by unfavorable market movements, structural effects and foreign exchange-related movements, partially offset by net new assets of CHF 56.5 billion.

Net new assets of CHF 56.5 billion mainly reflected net new assets of CHF 22.2 billion in the Asset Management business of International Wealth Management, mainly reflecting inflows from traditional and alternative investments, net new assets of CHF 17.2 billion in the Private Banking business of Asia Pacific, reflecting inflows across most of our markets in this region, net new assets of CHF 14.2 billion in the Private Banking business of International Wealth Management, mainly reflecting inflows from emerging markets and Europe, and net new assets of CHF 8.6 billion in the Corporate & Institutional Clients business of Swiss Universal Bank, primarily reflecting positive contributions from our pension business.

2017 results

As of the end of 2017, assets under management were CHF 1,376.1 billion, an increase of CHF 125.0 billion compared to the end of 2016. The increase was mainly driven by favorable market movements and net new assets of CHF 37.8 billion.

Net new assets of CHF 37.8 billion mainly reflected net new assets of CHF 20.3 billion in the Asset Management business of International Wealth Management, primarily reflecting inflows from traditional and alternative investments and from emerging market joint ventures, net new assets of CHF 16.9 billion in the Private Banking business of Asia Pacific, reflecting inflows primarily from Greater China, South East Asia, Japan and Australia and net new assets of CHF 15.6 billion in the Private Banking business of International Wealth Management, reflecting solid inflows from emerging markets and Europe. These were partially offset by net asset outflows of CHF 13.9 billion in the Corporate & Institutional Clients business of Swiss Universal Bank, primarily due to redemptions of CHF 13.3 billion from a single public sector mandate in the third quarter 2017.

> Refer to "Swiss Universal Bank", "International Wealth Management" and "Asia Pacific" and "Note 38 – Assets under management" in VI – Consolidated financial statements – Credit Suisse Group for further information.

Growth in assets under management in	2018	2017	2016
Growth in assets under management (CHF billion)			
Net new assets	**56.5**	**37.8**	**26.8**
of which Swiss Universal Bank – Private Clients	3.0	4.7	0.1
of which Swiss Universal Bank – Corporate & Institutional Clients	8.6	(13.9)	2.5
of which International Wealth Management – Private Banking	14.2	15.6	15.6
of which International Wealth Management – Asset Management [1]	22.2	20.3	5.6
of which Asia Pacific – Private Banking	17.2	16.9	13.6
of which Strategic Resolution Unit	(0.3)	(2.5)	(8.5)
of which assets managed across businesses [2]	(8.4)	(3.3)	(2.1)
Other effects	**(85.3)**	**87.2**	**10.2**
of which Swiss Universal Bank – Private Clients	(13.3)	11.4	2.3
of which Swiss Universal Bank – Corporate & Institutional Clients	(14.6)	29.3	9.8
of which International Wealth Management – Private Banking	(23.6)	28.1	18.0
of which International Wealth Management – Asset Management	(19.1)	43.7	(5.3)
of which Asia Pacific – Private Banking	(12.3)	13.0	2.9
of which Strategic Resolution Unit	(4.2)	(6.2)	(5.1)
of which assets managed across businesses [2]	1.8	(32.1)	(12.4)
Growth in assets under management	**(28.8)**	**125.0**	**37.0**
of which Swiss Universal Bank – Private Clients	(10.3)	16.1	2.4
of which Swiss Universal Bank – Corporate & Institutional Clients	(6.0)	15.4	12.3
of which International Wealth Management – Private Banking	(9.4)	43.7	33.6
of which International Wealth Management – Asset Management [1]	3.1	64.0	0.3
of which Asia Pacific – Private Banking	4.9	29.9	16.5
of which Strategic Resolution Unit	(4.5)	(8.7)	(13.6)
of which assets managed across businesses [2]	(6.6)	(35.4)	(14.5)
Growth in assets under management (%)			
Net new assets	**4.1**	**3.0**	**2.2**
of which Swiss Universal Bank – Private Clients	1.4	2.4	0.1
of which Swiss Universal Bank – Corporate & Institutional Clients	2.4	(4.1)	0.8
of which International Wealth Management – Private Banking	3.9	4.8	5.4
of which International Wealth Management – Asset Management [1]	5.8	6.3	1.7
of which Asia Pacific – Private Banking	8.7	10.1	9.0
of which Strategic Resolution Unit	(6.0)	(18.2)	(31.1)
of which assets managed across businesses [2]	5.9	3.1	2.3
Other effects	**(6.2)**	**7.0**	**0.8**
of which Swiss Universal Bank – Private Clients	(6.3)	6.0	1.2

of which Swiss Universal Bank – Corporate & Institutional Clients	(4.1)	8.6	3.0
of which International Wealth Management – Private Banking	(6.5)	8.7	6.2
of which International Wealth Management – Asset Management	(5.0)	13.6	(1.6)
of which Asia Pacific – Private Banking	(6.2)	7.8	2.0
of which Strategic Resolution Unit	(84.0)	(45.3)	(18.7)
of which assets managed across businesses [2]	(1.2)	30.4	13.6
Growth in assets under management	**(2.1)**	**10.0**	**3.0**
of which Swiss Universal Bank – Private Clients	(4.9)	8.4	1.3
of which Swiss Universal Bank – Corporate & Institutional Clients	(1.7)	4.5	3.8
of which International Wealth Management – Private Banking	(2.6)	13.5	11.6
of which International Wealth Management – Asset Management [1]	0.8	19.9	0.1
of which Asia Pacific – Private Banking	2.5	17.9	11.0
of which Strategic Resolution Unit	(90.0)	(63.5)	(49.8)
of which assets managed across businesses [2]	4.7	33.5	15.9

1
Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
2
Represents assets managed by Asset Management within International Wealth Management for the other businesses.
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Critical accounting estimates

In order to prepare the consolidated financial statements in accordance with US GAAP, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgment and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent, reasonable and consistently applied.

We believe that the critical accounting estimates discussed below involve the most complex judgments and assessments.

> Refer to “Note 1 – Summary of significant accounting policies” and “Note 2 – Recently issued accounting standards” in VI – Consolidated financial statements – Credit Suisse Group for further information on significant accounting policies and new accounting pronouncements. For financial information relating to the Bank, refer to the corresponding notes in the consolidated financial statements of the Bank.

Fair value

A significant portion of our financial instruments is carried at fair value. The fair value of the majority of these financial instruments is based on quoted prices in active markets or observable inputs.

In addition, we hold financial instruments for which no prices are available and which have few or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management’s own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives including interest rate, foreign exchange, equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments and certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds.

We have availed ourselves of the simplification in accounting offered under the fair value option guidance. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. For instruments for which hedge accounting could not be achieved but for which we are economically hedged, we have generally elected the fair value option. Where we manage an activity on a fair value basis but previously have been unable to achieve fair value accounting, we have generally utilized the fair value option to align our financial accounting to our risk management reporting.

Control processes are applied to ensure that the fair values of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

> Refer to “Note 35 – Financial instruments” in VI – Consolidated financial statements – Credit Suisse Group for further information.

Variable interest entities

As a normal part of our business, we engage in various transactions which include entities that are considered variable interest entities (VIEs). VIEs are special purpose entities that typically lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and has the right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE.

We consolidate all VIEs where we are the primary beneficiary. Application of the accounting requirements for consolidation of VIEs, including ongoing re-assessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

> Refer to “Note 1 – Summary of significant accounting policies” and “Note 34 – Transfers of financial assets and variable interest entities” in VI – Consolidated financial statements – Credit Suisse Group for further information on VIEs.

Contingencies and loss provisions

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence or non-occurrence of future events.

Litigation contingencies

We are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts. We accrue loss contingency litigation provisions and take a charge to our consolidated statements of operations in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. We also accrue litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which we have not accrued a loss contingency provision. We accrue these fee and expense litigation provisions and take a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. We review our legal proceedings each quarter to determine the adequacy of our litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of

litigation provisions may be necessary in the future as developments in such proceedings warrant.
It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of our legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, our defenses and our experience in similar matters, as well as our assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding. We do not believe that we can estimate an aggregate range of reasonably possible losses for certain of our proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. Most matters pending against us seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent our reasonably possible losses.
> Refer to “Note 39 – Litigation” in VI – Consolidated financial statements – Credit Suisse Group for further information on legal proceedings.
Allowance and provision for credit losses
As a normal part of our business, we are exposed to credit risk through our lending relationships, commitments and letters of credit as well as counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the possibility of a loss being incurred as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a default, we generally incur a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company. The allowance for loan losses is considered a reasonable estimate of credit losses existing at the dates of the consolidated balance sheets. This allowance is for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired.
> Refer to “Note 1 – Summary of significant accounting policies” and “Note 19 – Loans, allowance for loan losses and credit quality” in VI – Consolidated financial statements – Credit Suisse Group for further information on allowance for loan losses.
Inherent loan loss allowance
The inherent loan loss allowance is for all credit exposures not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate and institutional loans portfolio, the Group segregates loans by risk, industry or country rating. The methodology for determining the inherent loan loss allowance for loan portfolios in our investment banking businesses uses rating-specific default probabilities, which incorporate not only historic third-party data but also data implied from current quoted credit spreads.
Many factors are evaluated in estimating probable credit losses inherent in existing exposures. These factors include: the volatility of default probabilities; rating changes; the magnitude of the potential loss; internal risk ratings; geographic, industry and other economic factors; and imprecision in the methodologies and models used to estimate credit risk. Overall credit risk indicators are also considered, such as trends in internal risk-rated exposures, classified exposures, cash-basis loans, recent loss experience and forecasted write-offs, as well as industry and geographic concentrations and current developments within those segments or locations. Our current business strategy and credit process, including credit approvals and limits, underwriting criteria and workout procedures, are also important factors.
Significant judgment is exercised in the evaluation of these factors. For example, estimating the amount of potential loss requires an assessment of the period of the underlying data. Data that does not capture a complete credit cycle may compromise the accuracy of loss estimates. Determining which external data relating to default probabilities should be used and when it should be used also requires judgment. The use of market indices and ratings that do not sufficiently correlate to our specific exposure characteristics could also affect the accuracy of loss estimates. Evaluating the impact of uncertainties regarding macroeconomic and political conditions, currency devaluations on cross-border exposures, changes in underwriting criteria, unexpected correlations among exposures and other factors all require significant judgment. Changes in our estimates of probable loan losses inherent in the portfolio could have

an impact on the provision and result in a change in the allowance.

Specific loan loss allowances

We make provisions for specific loan losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. This analysis includes an estimate of the realizable value of any collateral, the costs associated with obtaining repayment and realization of any such collateral, the counterparty's overall financial condition, resources and payment record, the extent of our other commitments to the same counterparty and prospects for support from any financially responsible guarantors.

The methodology for calculating specific allowances involves judgments at many levels. First, it involves the early identification of deteriorating credit. Extensive judgment is required in order to properly evaluate the various indicators of the financial condition of a counterparty and likelihood of repayment. The failure to identify certain indicators or give them proper weight could lead to a different conclusion about the credit risk. The assessment of credit risk is subject to inherent limitations with respect to the completeness and accuracy of relevant information (for example, relating to the counterparty, collateral or guarantee) that is available at the time of the assessment. Significant judgment is exercised in determining the amount of the allowance. Whenever possible, independent, verifiable data or our own historical loss experience is used in models for estimating loan losses. However, a significant degree of uncertainty remains when applying such valuation techniques. Under our loan policy, the classification of loan status also has a significant impact on the subsequent accounting for interest accruals.

> Refer to "Risk Management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Note 19 – Loans, allowance for loan losses and credit quality" in VI – Consolidated financial statements – Credit Suisse Group for loan portfolio disclosures, valuation adjustment disclosures and certain other information relevant to the evaluation of credit risk and credit risk management.

Goodwill impairment

Under US GAAP, goodwill is not amortized, but is reviewed for potential impairment on an annual basis as of December 31 and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable.

For the purpose of testing goodwill for impairment, each reporting unit is assessed individually. A reporting unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

The Group's reporting units are defined as follows: Swiss Universal Bank – Private Clients, Swiss Universal Bank – Corporate & Institutional Clients, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Wealth Management & Connected, Asia Pacific – Markets, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. The Group determined in 2018 that a goodwill triggering event occurred for the Asia Pacific – Markets, Global Markets and Investment Banking & Capital Markets reporting units.

Under Accounting Standards Update (ASU) 2011-08, "Testing Goodwill for Impairment", a qualitative assessment is permitted to evaluate whether a reporting unit's fair value is less than its carrying value. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is higher than its carrying value, no quantitative goodwill impairment test is required. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is lower than its carrying value, a quantitative goodwill impairment test must be performed, by calculating the fair value of the reporting unit and comparing that amount to its carrying value. If the fair value of a reporting unit exceeds its carrying value, there is no goodwill impairment. If the carrying value exceeds the fair value, there is a goodwill impairment. The goodwill impairment is calculated as the difference between the carrying value and the fair value of the reporting unit up to a maximum of the goodwill amount recorded in that reporting unit.

The qualitative assessment is intended to be a simplification of the annual impairment test and can be bypassed for any reporting unit and any period to proceed directly to performing the quantitative goodwill impairment test. When bypassing the qualitative assessment in any period in accordance with the current practice of the Group, the preparation of a qualitative assessment can be resumed in any subsequent period.

Circumstances that could trigger an initial qualitative assessment of the goodwill impairment test include, but are not limited to: (i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments; (iii) other relevant entity-specific events such as changes in management, key personnel or strategy; (iv) a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit; (v) results of testing for recoverability of a significant asset group within a reporting unit; (vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a reporting unit; and (vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

The carrying value of each reporting unit for the purpose of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis. As of December 31, 2018, such residual equity was equal to CHF 809 million.

In estimating the fair value of its reporting units, the Group applied a combination of the market approach and the income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows, which were determined from the Group's financial plan. In determining the estimated fair value, the Group relied upon its latest five-year strategic business plan, which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes, and as approved by the Board of Directors.

Estimates of the Group's future earnings potential, and that of the reporting units, involve considerable judgment, including management's view on future changes in market cycles, the regulatory environment and the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's reporting units may result in a goodwill impairment in the future.

An estimated balance sheet for each reporting unit is prepared on a quarterly basis. In January 2017, the Financial Accounting Standards Board issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment" (ASU 2017-04). The guidance removed step two of the goodwill impairment test, which required a hypothetical purchase price allocation. A goodwill impairment is now defined as the amount by which a reporting unit's carrying value exceeds its fair value. An impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. Credit Suisse has decided to early adopt ASU 2017-04, simplifying the test for goodwill impairment as of January 1, 2017. This policy has also been early adopted for any goodwill impairment tests performed for any subsidiary of the Group.

Based on its goodwill impairment analysis performed as of December 31, 2018, the Group concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no impairment was necessary as of December 31, 2018.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Asia Pacific – Markets, Global Markets and Investment Banking & Capital Markets reporting units as of December 31, 2018. The valuations were performed using a combination of the market approach and income approach.

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

> Refer to "Note 21 – Goodwill" in VI – Consolidated financial statements – Credit Suisse Group for further information on goodwill.

Taxes

Uncertainty of income tax positions

We follow the income tax guidance under US GAAP, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain income tax positions.

Significant judgment is required in determining whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Further judgment is required to determine the amount of benefit eligible for recognition in the consolidated financial statements.

> Refer to "Note 28 – Tax" in VI – Consolidated financial statements – Credit Suisse Group for further information on income tax positions.

Deferred tax valuation allowances

Deferred tax assets and liabilities are recognized for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying values of existing assets and liabilities and their respective tax bases at the dates of the consolidated balance sheets.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if applicable. Management regularly evaluates whether deferred tax assets will be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets will be realized, management considers both positive and negative evidence, including projected future taxable income, the reversal of deferred tax liabilities which can be scheduled and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. Future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in deferred tax assets being realizable, or considered realizable, and would

require a corresponding adjustment to the valuation allowance.
As part of its normal practice, management has conducted a detailed evaluation of its expected future results and also considered stress scenarios. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant gross deferred tax assets, such as the US, Switzerland and the UK. Management then compared those expected future results with the applicable law governing utilization of deferred tax assets. Swiss tax law allows for a seven-year carry-forward period for net operating losses. UK tax law allows for an unlimited carry-forward period for net operating losses, and even though there are restrictions on the use of tax losses carried forward, these are not expected to have a material impact on the recoverability of the net deferred tax assets. US tax law allows for a 20-year carry-forward period for existing net operating losses. Due to the US tax reform enacted on December 22, 2017, this

period limitation was removed and any new net operating losses will have an unlimited carry-forward period.
> Refer to "Note 28 – Tax" in VI – Consolidated financial statements – Credit Suisse Group for further information on deferred tax assets.
Pension plans
The Group
The Group covers pension requirements, in both Swiss and non-Swiss locations, through various defined benefit pension plans and defined contribution pension plans.
Our funding policy with respect to these pension plans is consistent with local government and tax requirements.
The calculation of the expense and liability associated with the defined benefit pension plans requires an extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases. Management determines these assumptions based upon currently available market and industry data and historical experience of the plans. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. Management regularly reviews the actuarial assumptions used to value and measure the defined benefit obligation on a periodic basis as required by US GAAP. The actuarial assumptions that we use may differ materially from actual results due to changing market and economic conditions and specific experience of the plans (such as investment management over or underperformance, higher or lower withdrawal rates and longer or shorter life spans of the participants). Any such differences could have a significant impact on the amount of pension expense recorded in future years.
The funded status of our defined benefit pension and other post-retirement defined benefit plans is recorded in the consolidated balance sheets. The impacts from re-measuring the funded status (reflected in actuarial gains or losses) and from amending the plan (reflected in prior service cost or credits) are recognized in equity as a component of AOCI.
The projected benefit obligation (PBO) of our total defined benefit pension plans included CHF 928 million and CHF 1,083 million related to our assumption for future salary increases as of December 31, 2018 and 2017. The accumulated benefit obligation (ABO) is defined as the PBO less the amount related to estimated future salary increases. The difference between the fair value of plan assets and the ABO was an overfunding of CHF 2,374 million for 2018, compared to CHF 2,892 million for 2017.
We are required to estimate the expected long-term rate of return on plan assets, which is then used to compute benefit costs recorded in the consolidated statements of operations. Estimating future returns on plan assets is particularly subjective, as the estimate requires an assessment of possible future market returns based on the plan asset mix. In calculating pension expense and in determining the expected long-term rate of return, we use the market-related value of assets. The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic benefit costs for the 12-month period following this date.
The expected weighted-average long-term rate of return used to determine the expected return on plan assets as a component of the net periodic benefit costs in 2018 and 2017 was 3.00% and 3.00%, respectively, for the Swiss plans and 3.22% and 3.88%, respectively, for the international plans. In 2018, if the expected long-term rate of return had been increased/decreased one percentage point, net pension expense for the Swiss plans would have decreased/increased CHF 161 million and net pension expense for the international plans would have decreased/increased CHF 35 million.
The discount rates used in determining the benefit obligation and the pension expense are based on yield curves, constructed from high-quality corporate bonds currently available and observable in the market and are expected to be available during the period to maturity of the pension benefits. In countries where there is no deep market in high-quality corporate bonds with longer durations, the best available market information, including governmental bond yields and risk premiums, is used to construct the yield curve. Credit Suisse uses the spot rate approach for determining the benefit obligation and for service and interest cost components of the pension expense for future years. Under the spot rate approach, individual spot rates along the yield curve are applied to each expected future benefit payment, whereas under the previous methodology a single weighted-average discount rate derived from the yield curve was applied.
For the Swiss plan, the weighted average discount rate for the PBO increased 0.17 percentage points, from 0.86% as of December 31, 2017 to 1.03% as of December 31, 2018, mainly due to an increase in Swiss bond market rates. The average discount rate for the PBO for the international plans increased 0.47 percentage points, from 2.83% as of

December 31, 2017 to 3.30% as of December 31, 2018, mainly due to an increase in bond market rates. For the year ended December 31, 2018, a one percentage point decline in the discount rates for the Swiss plans would have resulted in an increase in the PBO of CHF 1,634 million and an increase in pension expense of CHF 50 million, and a one percentage point increase in discount rates would have resulted in a decrease in the PBO of CHF 1,341 million and a decrease in the pension expense of CHF 69 million. A one percentage point decline in discount rates for the international plans as of December 31, 2018 would have resulted in an increase in the PBO of CHF 613 million and an increase in pension expense of CHF 58 million, and a one percentage point increase in discount rates would have resulted in a decrease in the PBO of CHF 470 million and a decrease in the pension expense of CHF 27 million.

Actuarial losses and prior service cost are amortized over the average remaining service period of active employees expected to receive benefits under the plan, which, as of December 31, 2018, was approximately 10 years for the Swiss plans and 3 to 20 years for the international plans. The pre-tax expense associated with the amortization of net actuarial losses and prior service cost for defined benefit pension plans for the years ended December 31, 2018, 2017 and 2016 was CHF 227 million, CHF 269 million and CHF 291 million, respectively. The amortization of recognized actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2019, which is assessed at the beginning of the year, is expected to be CHF 116 million, net of tax. The impact from deviations between our actuarial assumptions and the actual developments of such parameters observed for our pension plans further impacts the amount of net actuarial losses or gains recognized in equity, resulting in a higher or lower amount of amortization expense in periods after 2019.

> Refer to “Note 31 – Pension and other post-retirement benefits” in VI – Consolidated financial statements – Credit Suisse Group for further information.

The Bank

The Bank covers pension requirements for its employees in Switzerland through participation in a defined benefit pension plan sponsored by the Group (Group plan). Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. The Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic pension expense, PBO, ABO and the related amounts recognized in the consolidated balance sheets. The funded status of the Group plan is recorded in the consolidated balance sheets. The actuarial gains and losses and prior service costs or credits are recognized in equity as a component of AOCI.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expense or balance sheet amounts related to the Group plan are recognized by the Bank.

The Bank covers pension requirements for its employees in international locations through participation in various pension plans, which are accounted for as single-employer defined benefit pension plans or defined contribution pension plans.

In 2018 and 2017, the weighted-average expected long-term rate of return used to calculate the expected return on plan assets as a component of the net periodic benefit costs for the international single-employer defined benefit pension plans was 3.22% and 3.88%, respectively. In 2018, if the expected long-term rate of return had been increased/decreased one percentage point, net pension expense would have decreased/increased CHF 35 million.

The discount rate used in determining the benefit obligation is based either on high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. The average discount rate for the PBO for the international plans increased 0.47 percentage points, from 2.83% as of December 31, 2017 to 3.30% as of December 31, 2018. A one percentage point decline in the discount rate for the international single-employer plans would have resulted in an increase in PBO of CHF 613 million and an increase in pension expense of CHF 58 million, and a one percentage point increase in discount rates would have resulted in a decrease in PBO of CHF 470 million and a decrease in pension expense of CHF 27 million.

Actuarial losses and prior service cost related to the international single-employer defined benefit pension plans are amortized over the average remaining service period of active employees expected to receive benefits under the plan. The pre-tax expense associated with the amortization of recognized net actuarial losses and prior service cost for the years ended December 31, 2018, 2017 and 2016 was CHF 47 million, CHF 60 million and CHF 41 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2019, which is assessed at the beginning of the year, is expected to be CHF 16 million, net of tax.

> Refer to “Note 30 – Pension and other post-retirement benefits” in VIII – Consolidated financial statements – Credit Suisse (Bank) for further information.

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Liquidity and funding management

During 2018, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

Liquidity management

Securities for funding and capital purposes have historically been issued primarily by the Bank, our principal operating subsidiary and a US registrant. In response to regulatory reform, we have focused our issuance strategy on offering long-term debt securities at the Group level. Proceeds from issuances are lent to operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements and the former as desired by management to support business initiatives and liquidity needs.

Our liquidity and funding strategy is approved by the Capital Allocation & Risk Management Committee (CARMC) and overseen by the Board of Directors (Board). The implementation and execution of the liquidity and funding strategy is managed within the CFO division by Treasury and our 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 our liquidity sourcing, funding costs and high-quality liquid assets (HQLA) portfolio on behalf of Treasury. Treasury ensures adherence to our 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 our ability to manage potential liquidity and funding risks and to promptly adjust our liquidity and funding levels to meet stress situations. Our liquidity and funding profile is regularly reported to CARMC and the Board, who define our risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of our businesses. The Board is responsible for defining our overall risk tolerance in the form of a risk appetite statement.

Our liquidity and funding profile reflects our strategy and risk appetite and is driven by business activity levels and the overall operating environment. We have adapted our liquidity and funding profile to reflect lessons learned from the financial crisis, the subsequent changes in our business strategy and regulatory developments. We have been an active participant in regulatory and industry forums to promote best practice standards on quantitative and qualitative liquidity management. Our internal liquidity risk management framework is subject to review and monitoring by the Swiss Financial Market Supervisory Authority FINMA (FINMA), other regulators and rating agencies.

Regulatory framework

BIS liquidity framework

In 2010, the Basel Committee on Banking Supervision (BCBS) issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). Credit Suisse is subject to the Basel III framework, as implemented in Switzerland, as well as Swiss legislation and regulations for systemically important banks (Swiss Requirements).

The LCR, which was phased in from January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered HQLA available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of HQLA in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows was subject to an initial minimum requirement of 60% as of January 1, 2015, which was increased by 10% per year and is currently at 100% since January 1, 2019.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and once implemented by national regulators, should always be at least 100%.

Swiss liquidity requirements

In 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making, including with respect to the final Basel III LCR rules adopted in 2014. Effective January 1, 2018, the Swiss Federal Council amended the Liquidity Ordinance with minor adjustments to the LCR and relief for smaller banks. The amendments were not material to the LCR for the Group and relevant subsidiaries. Under the Liquidity Ordinance, as amended, certain Swiss banks became subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. Systemically relevant banks like Credit Suisse became subject to an initial minimum LCR requirement of 100% at all times beginning on January 1, 2015 and the associated disclosure requirements.

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In May 2015, FINMA required us to maintain a higher minimum LCR of 110%; in June 2018 this was lowered to the minimum requirement of 100%.

In connection with the implementation of Basel III, regulatory LCR disclosures for the Group and certain subsidiaries are required. Further details on our LCR can be found on our website.

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

FINMA requires us to report the NSFR to FINMA on a monthly basis during an observation period that began in 2012. The reporting instructions are generally aligned with the final BCBS NSFR requirements. In November 2017, the Federal Council decided to postpone the introduction of the NSFR as a minimum standard, which was originally planned for January 1, 2018. In November 2018, the Federal Council decided to postpone the introduction of the NSFR again and will reconsider this matter at the end of 2019.

Our liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

Liquidity risk management

Our approach to liquidity risk management

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we expect to have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit. This includes potential currency mismatches, which are not deemed to be a major risk but are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

Although the compliance with a minimum NSFR is not yet required, we began using the NSFR in 2012 as one of our primary tools, in parallel with the internal liquidity barometer, and in 2014 the LCR, to monitor our structural liquidity position and plan funding.

We use our internal liquidity barometer to manage liquidity to internal targets and as a basis to model both Credit Suisse-specific and market-wide stress scenarios and their impact on liquidity and funding. Our internal barometer framework supports the management of our funding structure. It allows us to manage the time horizon over which the stressed market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This internal barometer framework enables us to manage liquidity to a desired profile under a Credit Suisse-specific or market-wide stress that permits us to continue business activities for a period of time (also known as a liquidity horizon) without changing business plans. Under this framework, we also have short-term targets based on additional stress scenarios to ensure uninterrupted liquidity for short time frames. At the beginning of 2017, we introduced a new version of our internal liquidity barometer, which includes enhanced functionalities to manage entity-specific liquidity under newly defined and more conservative stress scenarios for redefined short and long-term time horizons.

In the second quarter of 2014, we began allocating the majority of the balance sheet usage related to our Treasury-managed HQLA portfolio to the business divisions to allow for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements.

Our overall liquidity management framework allows us to run stress analyses on our balance sheet and off-balance sheet positions, which include, but are not limited to, the following:

- A multiple-notch downgrade in the Bank’s long-term debt credit ratings, which would require additional funding as a result of certain contingent off-balance sheet obligations;
- Significant withdrawals from private banking client deposits;
- Potential cash outflows associated with the prime brokerage business;
- Over-collateralization of available secured funding;
- Limited availability of capital markets, certificates of deposit and commercial paper;
- Other money market access will be significantly reduced;
- A reduction in funding value of unencumbered assets;

The inaccessibility of assets held by subsidiaries due to regulatory, operational and other constraints;
The possibility of providing non-contractual liquidity support in times of market stress, including purchasing our unsecured debt;
Monitoring the concentration in sources of wholesale funding and thus encourage funding diversification;
Monitoring the composition and analysis of the unencumbered assets;
Restricted availability of foreign currency swap markets; and
Other scenarios as deemed necessary from time to time.

Governance

Funding, liquidity, capital and our foreign exchange exposures in the banking book are managed centrally by Treasury. Oversight of these activities is provided by CARMC, a committee that includes the chief executive officers (CEOs) of the Group and the divisions, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Compliance and Regulatory Affairs Officer (CCRO), or the Chief Compliance Officer since the organizational change on February 26, 2019, and the Treasurer.

It is CARMC's responsibility to review the capital position, balance sheet development, current and prospective funding, interest rate risk and foreign exchange exposure and to define and monitor adherence to internal risk limits. CARMC regularly reviews the methodology and assumptions of our liquidity risk management framework and determines the liquidity horizon to be maintained.

All liquidity stress tests are coordinated and overseen by the CRO to ensure a consistent and coordinated approach across all risk disciplines.

Contingency funding planning

In the event of a liquidity crisis, our Contingency Funding Plan provides for specific actions to be taken depending on the nature of the crisis. Our plan is designed to address ever-increasing liquidity and funding stresses and has pre-defined escalation levels aimed at maximizing the likelihood that we can take certain measures to address liquidity or funding shortfalls. In order to identify a deteriorating liquidity situation, we monitor a set of regulatory and economic liquidity metrics while also seeking the views of our subject matter experts as well as senior management, who retain at all times the authority to take remedial actions promptly. In all cases, the plan's primary objectives are to strengthen liquidity (immediate), reduce funding needs (medium term) and assess recovery options (longer term).

Liquidity metrics

Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of cash held at central banks and securities. A portion of the liquidity pool is generated through reverse repurchase agreements with top-rated counterparties. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash held at central banks and highly rated government bonds and on short-term reverse repurchase agreements. These government bonds are eligible as collateral for liquidity facilities with various central banks including the Swiss National Bank (SNB), the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. The liquidity pool may be used to meet the liquidity requirements of our operating companies.

All securities, including those obtained from reverse repurchase agreements, are subject to a stress level haircut in our barometer to reflect the risk that emergency funding may not be available at market value in a stress scenario.

We centrally manage this liquidity pool and hold it at our main operating entities. Holding securities in these entities ensures that we can make liquidity and funding available to local entities in need without delay.

As of December 31, 2018, our liquidity pool managed by Treasury and the global liquidity group had an HQLA value of CHF 159.9 billion. The liquidity pool consisted of CHF 85.5 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 74.4 billion market value of securities issued by governments and government agencies, primarily from the US, UK and France.

In addition to the liquidity portfolio, there is also a portfolio of unencumbered liquid assets managed by the global liquidity group and by various businesses, primarily in the Global Markets and APAC divisions. These assets generally include high-grade bonds and highly liquid equity securities that form part of major indices. In coordination with the businesses and the global liquidity group, Treasury can access these assets to generate liquidity if required. As of December 31, 2018, the portfolio of liquid assets that is not managed by Treasury had a market value of CHF 28.7 billion, consisting of CHF 9.9 billion of high-grade bonds and CHF 18.8 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 17% is applied to these assets. The haircuts applied to these portfolios reflect our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

Liquidity pool – Group

					2018	2017
end of	Swiss franc	US dollar	Euro	Other currencies	Total	Total
Liquid assets (CHF million)						
Cash held at central banks	61,471	14,831	6,654	2,538	85,494	96,594
Securities	7,531	39,895	7,603	19,331	74,360	66,778
Liquid assets [1]	**69,002**	**54,726**	**14,257**	**21,869**	**159,854**	**163,372**

1
Reflects a pre-cancellation view.

Liquidity Coverage Ratio

Our calculation methodology for the LCR is prescribed by FINMA and uses a three-month average that is measured using daily calculations during the quarter. The FINMA calculation of HQLA takes into account a cancellation mechanism (post-cancellation view) and is therefore not directly comparable to the assets presented in the financial statements that could potentially be monetized under a severe stress scenario. The cancellation mechanism effectively excludes the impact of certain secured financing transactions from available HQLA and simultaneously adjusts the level of net cash outflows calculated. Application of the cancellation mechanism adjusts both the numerator and denominator of the LCR calculation, meaning that the impact is mostly neutral on the LCR itself.

Our HQLA measurement methodology excludes potentially eligible HQLA available for use by entities of the Group in certain jurisdictions that may not be readily accessible for use by the Group as a whole. These HQLA eligible amounts may be restricted for reasons such as local regulatory requirements, including large exposure requirements, or other binding constraints that could limit the transferability to other Group entities in other jurisdictions.

On this basis, the level of our LCR was 184% as of the end of 2018, a small decrease from 185% as of the end of 2017, representing an average HQLA of CHF 161 billion and average net cash outflows of CHF 88 billion. The ratio reflects a conservative liquidity position, including ensuring that the Group's branches and subsidiaries meet applicable local liquidity requirements.

The LCR ratio was stable compared to 2017, as a decrease in the level of HQLA was offset by a decrease in net cash outflows. The lower level of HQLA reflected a decrease in cash held at central banks, partially offset by an increase in the amount of securities held during the period. The decrease in net cash outflows was primarily a result of decreased secured funding and lending activities and lower cash outflows from non-operational deposits within unsecured wholesale funding and from other contingent funding obligations. The decreases in net cash outflows were partially offset by a decrease in cash inflows from fully performing exposures and higher unsecured wholesale funding outflows in unsecured debt.

The spot balance of HQLA held on the last business day of 2018 was CHF 157.4 billion, which was CHF 0.7 billion higher than the spot balance of HQLA held on the last business day of 2017.

Liquidity coverage ratio – Group

		2018	2017
end of	Unweighted value[1]	Weighted value[2]	Weighted value[2]
High-quality liquid assets (CHF million)			
High-quality liquid assets [3]	**–**	**161,231**	**166,077**
Cash outflows			
Retail deposits and deposits from small business customers	159,648	20,765	20,108
Unsecured wholesale funding	219,615	89,065	87,899
Secured wholesale funding	–	54,879	65,525
Additional requirements	166,741	36,921	37,435
Other contractual funding obligations	65,526	65,526	70,679
Other contingent funding obligations	202,457	5,391	6,644
Total cash outflows	**–**	**272,547**	**288,290**
Cash inflows			
Secured lending	131,204	85,678	92,585
Inflows from fully performing exposures	67,514	31,785	33,624
Other cash inflows	67,273	67,273	72,228
Total cash inflows	**265,991**	**184,736**	**198,437**
Liquidity coverage ratio			
High-quality liquid assets (CHF million)	–	161,231	166,077
Net cash outflows (CHF million)	–	87,811	89,853
Liquidity coverage ratio (%)	**–**	**184**	**185**

Calculated using a three-month average, which is calculated on a daily basis.
1
Calculated as outstanding balances maturing or callable within 30 days.
2
Calculated after the application of haircuts for high-quality liquid assets or inflow and outflow rates.
3
Consists of cash and eligible securities as prescribed by FINMA and reflects a post-cancellation view.
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Funding management

Treasury is responsible for the development, execution and regular updating of our funding plan. The plan reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles as well as the effects of changing market and regulatory conditions.

Interest expense on long-term debt, is monitored and managed relative to certain indices, such as the London Interbank Offered Rate (LIBOR) and Overnight Index Swap rate (OIS), that are relevant to the financial services industry. This approach to term funding best reflects the sensitivity of both our liabilities and our assets to changes in interest rates. We are closely following the transition of LIBOR and other reference rates globally and the impact of this transition on our approach to funding management.

We continually manage the impact of funding spreads through careful management of our liability mix and opportunistic issuance of debt. The effect of funding spreads on interest expense depends on many factors, including market conditions, product type and the absolute level of the indices on which our funding is based.

We diversify our long-term funding sources by issuing structured notes, which are debt securities on which the return is linked to commodities, stocks, indices or currencies or other assets. We generally hedge structured notes with positions in the underlying assets or derivatives.

We also use other collateralized financings, including repurchase agreements and securities lending agreements. The level of our repurchase agreements fluctuates, reflecting market opportunities, client needs for highly liquid collateral, such as US treasuries and agency securities, and the impact of balance sheet and risk-weighted asset limits. In addition, matched book trades, under which securities are purchased under agreements to resell and are simultaneously sold under agreements to repurchase with comparable maturities, earn spreads, are relatively risk free and are generally related to client activity.

Our primary source of liquidity is funding through consolidated entities.

Funding sources

We fund our balance sheet primarily through core customer deposits, long-term debt, including structured notes, and shareholders' equity. We monitor the funding sources, including their concentrations against certain limits, according to their counterparty, currency, tenor, geography and maturity, and whether they are secured or unsecured. A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

Cash and due from banks and reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 18% as of the end of 2018, stable compared to 2017, including a small increase in both loans and deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as the haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 341 billion as of the end of 2018, an increase compared to CHF 327 billion as of the end of 2017, reflecting an increase in the customer deposit base in the private banking and corporate & institutional banking businesses in 2018. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proven to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

> Refer to the chart “Balance sheet funding structure” and “Balance sheet” in Balance sheet and off-balance sheet for further information.

Funds transfer pricing

We maintain an internal funds transfer pricing system based on market rates. Our funds transfer pricing system is designed to allocate to our businesses all funding costs in a way that incentivizes their efficient use of funding. Our funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet usages and off-balance sheet contingencies. The funds transfer pricing framework ensures full funding costs allocation under normal business conditions, but it is of even greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this framework, our businesses are also credited to the extent they provide long-term stable funding.

Contractual maturity of assets and liabilities

The following table provides contractual maturities of the assets and liabilities specified as of the end of 2018. The contractual maturities are an important source of information for liquidity risk management. However, liquidity risk is also managed based on an expected maturity that considers counterparty behavior and in addition takes into account certain off-balance sheet items such as derivatives. Liquidity risk management performs extensive analysis of counterparty behavioral assumptions under various stress scenarios.

> Refer to “Contractual obligations and other commercial commitments” in Balance sheet and off-balance sheet and “Note 32 – Guarantees and commitments” in VI – Consolidated financial statements – Credit Suisse Group for further information on contractual maturities of guarantees and commitments.

Contractual maturity of assets and liabilities

end of 2018	On demand	Less than 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Greater than 5 years	Total
Assets (CHF million)							
Cash and due from banks	91,378	933	3,698	32	328	3,678	100,047
Interest-bearing deposits with banks	0	359	356	377	42	8	1,142
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	38,725	48,407	14,771	10,996	4,196	0	117,095
Securities received as collateral, at fair value	41,465	79	152	0	0	0	41,696
Trading assets, at fair value	132,203	0	0	0	0	0	132,203
Investment securities	6	0	57	794	2	2,052	2,911
Other investments	0	18	0	0	0	4,872	4,890
Net loans	10,276	54,432	32,510	47,849	98,057	44,457	287,581
Premises and equipment	0	0	0	0	0	4,838	4,838
Goodwill	0	0	0	0	0	4,766	4,766
Other intangible assets	0	0	0	0	0	219	219

Brokerage receivables	38,907	0	0	0	0	0	38,907
Other assets	15,648	2,635	3,612	4,976	2,938	2,812	32,621
Total assets	**368,608**	**106,863**	**55,156**	**65,024**	**105,563**	**67,702**	**768,916**
Liabilities							
Due to banks	6,530	2,106	5,283	961	226	114	15,220
Customer deposits	230,527	43,789	55,808	32,160	834	807	363,925
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	9,700	10,892	3,965	4	62	0	24,623
Obligation to return securities received as collateral, at fair value	41,465	79	152	0	0	0	41,696
Trading liabilities, at fair value	42,169	0	0	0	0	0	42,169
Short-term borrowings	0	3,113	10,144	8,669	0	0	21,926
Long-term debt	0	676	3,593	22,202	70,246	57,591	154,308
Brokerage payables	30,923	0	0	0	0	0	30,923
Other liabilities	20,515	7,060	65	479	1,108	880	30,107
Total liabilities	**381,829**	**67,715**	**79,010**	**64,475**	**72,476**	**59,392**	**724,897**

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Interest rate management

Interest rate risk inherent in banking book activities, such as lending and deposit-taking, is managed through the use of replication portfolios. Treasury develops and maintains the models needed to determine the interest rate risks of products that do not have a defined maturity, such as demand and savings accounts. For this purpose, a replicating methodology is applied in close coordination with Risk Management to maximize the stability and sustainability of spread revenues at the divisions. Furthermore, Treasury manages the interest exposure of the Group's equity to targets agreed with senior management.

Debt issuances and redemptions

Our long-term debt includes senior, senior bail-in and subordinated debt issued in US-registered offerings and medium-term note programs, euro medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or historically from our own international covered bond program.

The following table provides information on long-term debt issuances, maturities and redemptions in 2018, excluding structured notes.

Debt issuances and redemptions

in 2018	Senior	Senior bail-in	Sub-ordinated	Long-term debt
Long-term debt (CHF billion, notional value)				
Issuances	**0.8**	**5.2**	**4.0**	**10.0**
of which unsecured	0.0	5.2	4.0	9.2
of which secured [1]	0.8	0.0	0.0	0.8
Maturities / Redemptions	**12.4**	**0.0**	**11.1**	**23.5**
of which unsecured	10.2	0.0	11.1	21.3
of which secured [1]	2.2	0.0	0.0	2.2

Excludes structured notes.

1

Includes covered bonds.

As of the end of 2018, we had outstanding long-term debt of CHF 154.3 billion, which included senior and subordinated instruments. We had CHF 48.1 billion and CHF 17.2 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2018 compared to CHF 51.5 billion and CHF 18.9 billion, respectively, as of the end of 2017.

Short-term borrowings decreased 15% to CHF 21.9 billion as of the end of 2018 compared to CHF 25.9 billion in 2017, mainly related to issuances and redemptions of commercial papers (CP).

> Refer to "Issuances and redemptions" in Capital management for further information on capital issuances, including low-trigger and high-trigger capital instruments.

Credit ratings

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. Rating agencies take many factors into consideration in determining a company's rating, including, among others, earnings performance, business mix, market position, ownership, financial strategy, level of capital, risk management policies and practices, management team and the broader outlook for the financial services industry more generally. The rating agencies may raise, lower or withdraw their ratings, or publicly announce an intention to raise or lower their ratings, at any time.

Although retail and private bank deposits are generally less sensitive to changes in a bank's credit ratings, the cost and availability of other sources of unsecured external funding is generally a function of credit ratings. Credit ratings are especially important to us when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter (OTC) derivative instruments.

A downgrade in credit ratings could reduce our access to capital markets, increase our borrowing costs, require us to post additional collateral or allow counterparties to terminate transactions under certain of our trading and collateralized financing and derivative contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our internal liquidity barometer takes into consideration contingent events associated with a two-notch downgrade in our credit ratings. The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 0.2 billion, CHF 1.0 billion and CHF 1.3 billion, respectively, as of December 31, 2018, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

Potential cash outflows on these derivative contracts associated with a downgrade of our long-term debt credit ratings, such as the requirement to post additional collateral to the counterparty, the loss of re-hypothecation rights on any collateral received and impacts arising from additional termination events, are monitored and taken into account in the calculation of our liquidity requirements. There are additional derivative related risks that do not relate to the downgrade of our long-term debt credit ratings and which may impact our liquidity position, including risks relating to holdings of derivatives collateral or potential movements in the valuation of derivatives positions. The potential outflows resulting across all derivative product types are monitored as part of the LCR scenario parameters and the internal liquidity reporting.

> Refer to "Investor information" in the Appendix for further information on Group and Bank credit ratings.

Cash flows from operating, investing and financing activities

As a global financial institution, our cash flows are complex and interrelated and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the liquidity and funding policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends in our business.

For the year ended December 31, 2018, net cash provided by **operating activities** of continuing operations was CHF 12.8 billion, primarily reflecting an increase in net trading assets and liabilities and a decrease in other assets, partially offset by a decrease in other liabilities. Our operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. Management believes cash flows from operations, available cash balances and short-term and long-term borrowings will be sufficient to fund our operating liquidity needs.

Our **investing activities** primarily include originating loans to be held to maturity, other receivables and the investment securities portfolio. For the year ended December 31, 2018, net cash used in investing activities from continuing operations was CHF 7.4 billion, primarily due to an increase in loans, partially offset by a decrease in proceeds from sales of loans.