CREDIT SUISSE GROUP AG
Form 20-F
March 24, 2016

As filed with the Securities and Exchange Commission on March 24, 2016

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, 2015.

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
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Telephone: +41 44 333 6607
Fax: +41 44 333 1790
(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 6607
Fax: +41 44 333 1790
(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	
Fixed to Floating Rate Tier 1 Capital Notes	New York Stock Exchange
Floating Rate Tier 1 Capital Notes	New York Stock Exchange
Credit Suisse X-Links Long/Short Equity ETNs due February 19, 2020	NYSE Arca
Credit Suisse X-Links Cushing® MLP Infrastructure ETNs due April 20, 2020	NYSE Arca
Credit Suisse X-Links Merger Arbitrage ETNs due October 6, 2020	NYSE Arca
VelocityShares™ Daily Inverse VIX Short Term ETN 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 ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily 2x VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily 2x VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ 3x Long Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032	NYSE Arca
VelocityShares™ 3x Long Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
VelocityShares™ 3x Inverse Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032	NYSE Arca
VelocityShares™ 3x Inverse Natural Gas ETN 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 X-Links Commodity Rotation ETNs due June 15, 2033	NYSE Arca
Credit Suisse FI Enhanced Europe 50 Exchange Traded Notes (ETNs) due September 10, 2018 Linked to the STOXX Europe 50® USD (Gross Return) Index	NYSE Arca
Credit Suisse FI Enhanced Big Cap Growth Exchange Traded Notes (ETNs) due October 22, 2018	NYSE Arca

Linked to the Russell 1000® Growth Index Total Return	
Credit Suisse FI Large Cap Growth Enhanced Exchange Traded Notes (ETNs) due June 13, 2019	
Linked to the Russell 1000® Growth Index Total Return	NYSE Arca
Credit Suisse S&P MLP Index Exchange Traded Notes (ETNs) due December 4, 2034	
Linked to the S&P MLP Index	NYSE Arca
Credit Suisse X-Links Multi-Asset High Income Exchange Traded Notes (ETNs) due September 28, 2035	NYSE Arca
Credit Suisse X-Links WTI Crude Oil Index ETNs due February 8, 2036	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, 2015: 1,951,469,020 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 and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
Yes No
Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):
Large accelerated filers Accelerated filers Non-accelerated filers
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

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SIGNATURES

Definitions

For the purposes of this Form 20-F and the attached Annual Report 2015, 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 Swiss 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, the Swiss bank subsidiary of the Group, 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 2015.

Sources

Throughout this Form 20-F and the attached Annual Report 2015, 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 2015.

Explanatory note

For the avoidance of doubt, the information appearing on pages 4 to 10 and A-4 to A-12 of the attached Annual Report 2015 is not included in Credit Suisse and the Bank’s Form 20-F for the fiscal year ended December 31, 2015.

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 pages A-2 to A-3 and – Bank on page A-3 of the attached Annual Report 2015. In addition, please see IX – Additional information – Other information – Foreign currency translation rates on page 570 of the attached Annual Report 2015.

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 40 to 48 of the attached Annual Report 2015.

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 page 12 and –Strategy on pages 13 to 17, IV – Corporate Governance and Compensation – Corporate Governance – Overview – Company details on page 186 and Appendix – Financial calendar and contacts on page A-12 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events, Note 4 – Discontinued operations and Note 5 – Segment information in V – Consolidated financial statements – Credit Suisse Group on pages 270 to 275 of the attached Annual Report 2015 and, for the Bank, please see Note 3 – Business developments and subsequent events, Note 4 – Discontinued operations and Note 5 – Segment information in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 429 to 432 of the attached Annual Report 2015.

B – Business overview.

For Credit Suisse and the Bank, please see I – Information on the company – Divisions on pages 18 to 24 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 5 – Segment information in V – Consolidated financial statements – Credit Suisse Group on pages 273 to 275 of the attached Annual Report 2015 and, for the Bank, please see Note 5 – Segment information in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 431 to 432 of the attached Annual Report 2015.

C – Organizational structure.

For Credit Suisse and the Bank, please see I – Information on the company – Credit Suisse at a glance on page 12, – Strategy on pages 13 to 17 and II – Operating and financial review – Credit Suisse – Differences between Group and Bank on pages 62 to 63 of the attached Annual Report 2015. For a list of Credit Suisse's significant subsidiaries, please see Note 40 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 383 to 385 of the attached Annual Report 2015 and, for a list of the Bank's significant subsidiaries, please see Note 39 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 502 to 504 of the attached Annual Report 2015.

D – Property, plant and equipment.

For Credit Suisse and the Bank, please see IX – Additional information – Other information – Property and equipment on page 570 of the attached Annual Report 2015.

Information Required by Industry Guide 3.

For Credit Suisse and the Bank, please see IX – Additional information – Statistical information on pages 548 to 564 of the attached Annual Report 2015. 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 169 of the attached Annual Report 2015. For Credit Suisse, please see Appendix – Selected five-year information – Group on page A-2 of the attached Annual Report 2015.

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

As stated in our Form 20-F for the year ended December 31, 2014, in 2005 and earlier, Credit Suisse AG, through a business line operating in Switzerland, entered into export finance credit facilities involving Iranian parties, through bilateral contracts and as a member of lending syndicates. Credit Suisse AG loaned funds under these credit facilities for project finance activities in Iran that did not support or facilitate Iran's nuclear weapons proliferation efforts, its acquisition of other military items, or its support of terrorism. Our participation in these credit facilities was legal under applicable law. The Iranian parties involved in certain of these credit facilities entered into between 2001 and 2005 subsequently were designated Specially Designated Nationals or Blocked Persons pursuant to an Executive Order of the President of the United States, or fall within the US government's definition of the government of Iran (which includes government-controlled entities). These credit facilities are supported by a guarantee of the Iranian Ministry of Economic Affairs and Finance and export financing insurance provided by European export credit agencies.

Credit Suisse AG does not generally calculate gross revenues or net profits from individual export finance credit facilities of this type; however, Credit Suisse AG estimates that it recognized approximately CHF 1.1 million in interest income in 2015 on these credit facilities and believes that it has not earned any related net profit over the life of these credit facilities. While Credit Suisse AG ceased providing funds to any Iranian parties pursuant to any of these credit facilities several years ago, it has continued, where possible, to receive repayment of funds owed to it. In 2015, Credit Suisse AG received insurance payments totaling CHF 2.4 million from the Swiss governmental export credit agency and payments totaling CHF 5.4 million from financial institutions acting as agents of lending syndicates, both in partial payment under certain of these credit facilities. As of December 31, 2015, approximately CHF 2.1 million was owed to Credit Suisse AG under these credit facilities which is not covered by the European export credit agency guarantees, out of a total amount of approximately CHF 36.4 million outstanding. Credit Suisse AG will continue to seek repayment of funds it is owed under these credit facilities pursuant to its contractual rights and applicable law, and will continue to cooperate with the European export credit agencies.

During 2015, Credit Suisse AG processed a small number of de minimis payments related to the operation of Iranian diplomatic missions in Switzerland and 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 continues to hold funds from two wire transfers to non-Iranian customers which were blocked pursuant to Swiss sanctions because Iranian government-owned entities have an interest in such transfers. Such funds are maintained in blocked accounts opened in accordance with Swiss sanctions requirements. Credit Suisse AG derives no revenues or profits from maintenance of these blocked accounts.

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 49 to 104 of the attached Annual Report 2015. In addition, for both Credit Suisse and the Bank, please see I – Information on the company – Regulation and supervision on pages 25 to 39 of the attached Annual Report 2015 and III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' equity and share metrics – Foreign exchange exposure and interest rate management on page 135 of the attached Annual Report 2015.

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 106 to 135 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 25 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group on pages 296 to 297 and Note 37 – Capital adequacy in V – Consolidated financial statements – Credit Suisse Group on page 372 of the attached Annual Report 2015 and, for the Bank, please see Note 24 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 449 to 450 and Note 36 – Capital adequacy in VII – Consolidated financial statements – Credit Suisse (Bank) on page 500 of the attached Annual Report 2015.

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 18 to 24 of the attached Annual Report 2015.

E – Off-balance sheet arrangements.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations on pages 179 to 182 of the attached Annual Report 2015. 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 V – Consolidated financial statements – Credit Suisse Group on pages 325 to 344 of the attached Annual Report 2015 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 VII – Consolidated financial statements – Credit Suisse (Bank) on pages 469 to 481, and Note 13 – Derivative financial instruments in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 533 to 535 of the attached Annual Report 2015.

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, off-balance sheet and other contractual obligations – Contractual obligations and other commercial commitments on page 182 of the attached Annual Report 2015.

Item 6. Directors, senior management and employees.

A – Directors and senior management.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors, – Board Committees, – Biographies of the Board Members, – Executive Board and – Biographies of the Executive Board Members on pages 192 to 212 of the attached Annual Report 2015.

B – Compensation.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 217 to 248 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 11 – Compensation and benefits in V – Consolidated financial statements – Credit Suisse Group on page 278, Note 29 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 308 to 313, Note 31 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group on pages 316 to 324, Note 6 – Personnel expenses in VI – Parent company financial statements – Credit Suisse Group on page 406 and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees in VI – Parent company financial statements – Credit Suisse Group on pages 413 to 414 of the attached Annual Report 2015. For the Bank, please see Note 11 – Compensation and benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on page 434, Note 28 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 458 to 460, Note 30 – Pension and other post-retirement benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 462 to 468, Note 6 – Personnel expenses in VIII – Parent company financial statements – Credit Suisse (Bank) on page 527, Note 17 – Pension plans in VIII – Parent company financial statements – Credit Suisse (Bank) on page 537 and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 541 to 542 of the attached Annual Report 2015.

C – Board practices.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance on pages 184 to 216 of the attached Annual Report 2015.

D – Employees.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional Information – Employee relations on page 216 of the attached Annual Report 2015. In addition, for both Credit Suisse and the Bank, please see II – Operating and financial review – Credit Suisse – Employees on page 55 of the attached Annual Report 2015.

E – Share ownership.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 217 to 248 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 29 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 308 to 313, and Note 23 –Shareholdings of the Board of Directors, Executive Board and employees in VI – Parent company financial statements – Credit Suisse Group on pages 413 to 414 of the attached Annual Report 2015. For the Bank, please see Note 28 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 458 to 460, and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 541 to 542 of the attached Annual Report 2015.

Item 7. Major shareholders and related party transactions.

A – Major shareholders.

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Shareholders on pages 187 to 191 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events in V – Consolidated financial statements – Credit Suisse Group on pages 270 to 271, Note 17 – Credit Suisse Group shares held by subsidiaries in VI – Parent company financial statements – Credit Suisse Group on page 410, Note 18 – Purchases and sale of treasury shares held by Credit Suisse Group in VI – Parent company financial statements – Credit Suisse Group on page 411 and Note 19 – Significant shareholders in VI – Parent company financial statements – Credit Suisse Group on page 411 of the attached Annual Report 2015. 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 VIII – Parent company financial statements – Credit Suisse (Bank) on page 540 of the attached Annual Report 2015.

B – Related party transactions.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 217 to 248 and – Corporate Governance – Banking relationships with Board and Executive Board Members and related party transactions on page 213 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 30 – Related parties in V – Consolidated financial statements – Credit Suisse Group on pages 314 to 315 and Note 21 – Related parties in VI – Parent company financial statements – Credit Suisse Group on page 412 of the attached Annual Report 2015. For the Bank, please see Note 29 – Related parties in VII – Consolidated financial statements – Credit Suisse (Bank) on page 461 and Note 24 – Amounts receivable from and amounts payable to related parties in VIII – Parent company financial statements – Credit Suisse (Bank) on page 543 of the attached Annual Report 2015.

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 V – Consolidated financial statements – Credit Suisse Group on pages 375 to 382 of the attached Annual Report 2015. For a description of the Bank's legal and arbitration proceedings, please see Note 38 – Litigation in VII – Consolidated financial statements – Credit Suisse (Bank) on page 501 of the attached Annual Report 2015.

For a description of Credit Suisse's policy on dividend distributions, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' Equity and Share Metrics – Dividends and dividend policy on page 135 of the attached Annual Report 2015.

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 IX – Additional information – Other information – Listing details on page 569 of the attached Annual Report 2015. 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 and Compensation – Corporate Governance – Overview, – Shareholders and – Board of Directors on pages 184 to 196 of the attached Annual Report 2015. In addition, for Credit Suisse, please see IX – Additional information – Other information – Exchange controls and – American Depositary Shares on page 565 of the attached Annual Report 2015. 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 this Form 20-F.

D – Exchange controls.

For Credit Suisse and the Bank, please see IX – Additional information – Other information – Exchange controls on page 565 of the attached Annual Report 2015.

E – Taxation.

For Credit Suisse, please see IX – Additional information – Other information – Taxation on pages 565 to 568 of the attached Annual Report 2015. 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 and from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (telephone 1-800-SEC-0330). SEC reports are also available for review at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005. 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 are 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 399 to 416 of the attached Annual Report 2015 and incorporated by reference herein. The Bank's parent company financial statements, together with the notes thereto, are set forth on pages 507 to 546 of the attached Annual Report 2015 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 40 to 48 and III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management on pages 136 to 178 of the attached Annual Report 2015.

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 and Compensation – Corporate Governance – Additional information – Fees and charges for holders of ADS on page 216 of the attached Annual Report 2015. 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 V – Consolidated financial statements – Credit Suisse Group on pages 397 to 398 of the attached Annual Report 2015. 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 VII – Consolidated financial statements – Credit Suisse (Bank) on pages 505 to 506 of the attached Annual Report 2015.

Item 16A. Audit committee financial expert.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors – Board committees – Audit Committee on pages 197 to 198 of the attached Annual Report 2015.

Item 16B. Code of ethics.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview – Corporate governance framework on pages 184 to 186 of the attached Annual Report 2015.

Item 16C. Principal accountant fees and services.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Audit on page 214 of the attached Annual Report 2015.

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 – Shareholders' Equity and Share Metrics – Share repurchases on page 134 of the attached Annual Report 2015. 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 and Compensation – Corporate Governance – Additional Information – Complying with rules and regulations on page 215 of the attached Annual Report 2015. 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 249 to 398 of the attached Annual Report 2015 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 417 to 506 of the attached Annual Report 2015 and incorporated by reference herein.

Item 19. Exhibits.

1.1 Articles of association (Statuten) of Credit Suisse Group AG as of December 2, 2015.

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).

1.3 Organizational Guidelines and Regulations of Credit Suisse Group AG and Credit Suisse AG as of June 19, 2014 (incorporated by reference to Exhibit 1.3 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).

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 March 12, 2013).

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 March 12, 2013).

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 March 12, 2013).

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).

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).

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).

7.1 Computations of ratios of earnings to fixed charges of Credit Suisse and of the Bank are set forth under IX – Additional Information – Statistical information – Ratio of earnings to fixed charges – Group and – Ratio of earnings to fixed charges – Bank on page 564 of the attached Annual Report 2015 and incorporated by reference herein.

8.1 Significant subsidiaries of Credit Suisse are set forth in Note 40 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 383 to 385, and significant subsidiaries of the Bank are set forth in Note 39 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 502 to 504 in the attached Annual Report 2015 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).

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 24, 2016

/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 24, 2016

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

Key metrics

		in / end of		% change	
	2015	2014	2013	15 / 14	14 / 13
Credit Suisse (CHF million, except where indicated)					
Net income/(loss) attributable to shareholders	(2,944)	1,875	2,326	–	(19)
of which from continuing operations	(2,944)	1,773	2,181	–	(19)
Basic earnings/(loss) per share from continuing operations (CHF)	(1.73)	0.99	1.10	–	(10)
Diluted earnings/(loss) per share from continuing operations (CHF)	(1.73)	0.98	1.10	–	(11)
Return on equity attributable to shareholders (%)	(6.8)	4.4	5.7	–	–
Effective tax rate (%)	(21.6)	38.7	31.2	–	–
Core Results (CHF million, except where indicated)					
Net revenues	23,384	25,074	24,226	(7)	4
Provision for credit losses	192	153	90	25	70
Total operating expenses	23,104	17,721	17,482	30	1
Income before taxes	88	7,200	6,654	(99)	8
Cost/income ratio (%)	98.8	70.7	72.2	–	–
Assets under management and net new assets (CHF billion)					
Assets under management from continuing operations	1,214.1	1,368.7	1,248.6	(11.3)	9.6
Net new assets from continuing operations	46.9	29.9	35.0	56.9	(14.6)
Balance sheet statistics (CHF million)					
Total assets	820,805	921,462	872,806	(11)	6
Net loans	272,995	272,551	247,054	0	10
Total shareholders' equity	44,382	43,959	42,164	1	4
Tangible shareholders' equity	39,378	35,066	33,955	12	3
Basel III regulatory capital and leverage statistics					
Risk-weighted assets (CHF million)	294,950	291,410	273,846	1	6
CET1 ratio (%)	14.3	14.9	15.7	–	–
Look-through CET1 ratio (%)	11.4	10.1	10.0	–	–
Look-through CET1 leverage ratio (%)	3.3	2.5	–	–	–
Look-through Tier 1 leverage ratio (%)	4.5	3.5	–	–	–
Share information					
Shares outstanding (million)	1,951.5	1,599.5	1,590.9	22	1
of which common shares issued	1,957.4	1,607.2	1,596.1	22	1
of which treasury shares	(5.9)	(7.7)	(5.2)	(23)	48
Book value per share (CHF)	22.74	27.48	26.50	(17)	4
Tangible book value per share (CHF)	20.18	21.92	21.34	(8)	3
Market capitalization (CHF million)	42,456	40,308	43,526	5	(7)
Dividend per share	0.70	0.70	0.70	–	–
Number of employees (full-time equivalents)					
Number of employees	48,200	45,800	46,000	5	0

See relevant tables for additional information on these metrics.

Annual Report 2015
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 Swiss 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, the Swiss bank subsidiary of the Group, 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.

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Interview with the Chairman and the Chief Executive Officer

In relation to the 2015 results, there have been several unfavorable reactions from the markets and analysts. What is your view of the current sentiment towards Credit Suisse and its annual results?

Tidjane Thiam: I believe one should not get sidetracked by immediate market reactions. There is no point denying it: the fourth quarter was a significant disappointment. Some of the losses incurred in our investment bank surprised investors as they came from activities that were not consistent with our new strategy. The losses and the impact on the capital position as well as the goodwill write-down in the fourth quarter made market participants nervous, especially in the context of a decline in the price of oil, worries about growth in China and the asynchronous nature of central bank policies. We have been explained on the difficulties encountered and what we are doing to address them and this is increasingly better understood by the market. Beyond these issues, it is important to measure the progress made by looking at our underlying business performance. Between now and 2018, the bank's restructuring will make the analysis of our performance more complex. We have therefore introduced a definition of adjusted results, which by correcting for the most visible impacts of the restructuring, will make it easier to monitor our progress on the implementation of our new strategy. Our adjusted results in the last quarter of 2015 contained some encouraging trends despite volatile market conditions. The performance of the Asia Pacific division in particular highlighted the growth potential in the region and our strong market position. In addition, net new asset generation was strong for both Asia Pacific and the Swiss Universal Bank, and we continued to increase our mandates penetration in all three geographical divisions. One of the direct outcomes of the changes we have made is the fact that Credit Suisse as of the end of 2015 has a stronger look-through CET1 capital position than before.

You mention the Group's capital level, which is deemed insufficient by some observers and thus remains a target for criticism. How strong is Credit Suisse's capital base?

Thiam: In fact, with 11.4% at the end of 2015, we now have the strongest look-through CET1 ratio that Credit Suisse has ever had. I feel that needs to be said again. We are also strong in terms of liquidity. While internationally we may not be on the absolute top of the rankings, we are without any doubt well capitalized. With a strengthened balance sheet, I am confident that we can deliver on our commitments. Our capital allocation process going forward will ensure that we focus on businesses that offer the best risk-adjusted returns, particularly in our three geographically focused divisions.

Urs Rohner: Moreover, we continue to further strengthen our capital base. We aim to operate the bank at a look-through CET1 capital ratio between 11-12% during 2016, while managing through the changes to our strategy. We are targeting a look-through CET1 capital ratio of approximately 13% and a Tier 1 leverage ratio between 5% and 6% with a look-through CET1 component of 3.5% to 4% by the end of 2018. Building up a strong capital base is the right choice from the business perspective. I also believe that capital will remain a key regulatory topic. Therefore, we will remain very much focused on growing in the right businesses, which are capital accretive and which generate the necessary returns under the ever stricter regulatory capital requirements.

The goodwill impairment of CHF 3.8 billion in the investment banking businesses was subject to significant attention. Notably, the decision was considered long overdue – would you agree?

Rohner: The goodwill impairment charge, mostly related to the acquisition of Donaldson, Lufkin & Jenrette (DLJ) in 2000, needed to be taken in the fourth quarter of 2015 as a direct consequence of the implementation of our new strategy and organizational structure. This resulted in changes to the former Investment Banking division, leading to a reassessment of certain assets and consequential goodwill impairment charge. Since the DLJ acquisition, the goodwill impairment test was conducted annually and verified by external experts. The rules are clear: as long as the goodwill is covered under the applicable methodology, no impairment charge is to be booked. Once this is no longer applicable, however, such charge must be booked, as was the case in 2015.

In October of last year, you have introduced the new strategy for the Group. Is the execution on schedule and can the ambitious timeline be met?

Thiam: We have made a good start in implementing the strategy we presented in October 2015. Before year-end, the important milestone of the capital raise was completed. Our capital ratios have been strengthened, allowing us to start implementing important restructuring measures, which consume capital. The new structure, which impacted all of our almost 50,000 staff, was fully in place by end-2015. In parallel, we have been strengthening the Group's control functions and making substantial investments in our risk management and control capabilities. The process of right-sizing our investment banking activities is well under way and have further been accelerated in Global Markets,

reflecting the persistently challenging market environment. We have already exited many activities. Our look-through CET1 capital position as of end-2015 is the strongest it has ever been and we are implementing the announced changes with determination. Once completed, this comprehensive change program will position us well to deliver profitable growth and returns for our shareholders in 2018 and beyond.

In this new strategy, is Credit Suisse predominantly implementing actions that other banks have taken already? How can Credit Suisse differentiate itself from its peers?

Rohner: The strategy is tailored to Credit Suisse and reflects three important elements: the Group's cultural and historical heritage, its strengths as an integrated bank and current external demands, such as key regulatory and market developments. In terms of regulation and markets, we face similar conditions as our peers but in other regards, our strategy is unique. Accordingly, our Swiss roots as a "Bank for Entrepreneurs" remain at the core of our strategy. That combines with our global presence and ultimately, our unique capability to provide both private banking and investment banking services to our clients. This offering is absolutely crucial for our differentiation in the highly competitive ultra-high-net-worth individual client segment.

In the course of this year, which are the most important steps in the execution of your new strategy?

Thiam: We will continue to restructure the bank to ensure that we can react to the changing market environment. In light of the challenging environment in the first few months of 2016, we have accelerated the right-sizing of our investment banking activities, particularly in the Global Markets

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

division. These efforts aim at improving our ability to serve our clients and generate over time compliant, well controlled, profitable growth. We will continue to focus on growing our wealth management business and on the reduction of our investment banking activities so that they consume less capital, generate more stable earnings and better support the development of our wealth management offering. Our strategy is focused on deploying all of our capabilities and expertise to best service our clients. We will continue to implement it with determination.

You often mention innovation. Which areas does Credit Suisse prioritize in terms of innovation and how will your clients benefit from the innovative process?

Rohner: Credit Suisse was one of the first banks to introduce an innovation-focused think-tank as early as in 2012. We have launched Digital Private Banking in 2013 and now continue to roll out its various offerings to our clients across different markets. As in any innovation process, clients are the ultimate beneficiaries, as service quality improves and prices tend to decline. Particularly in banking, clients today receive a much broader online and mobile offering and a more powerful advisory support which uses intelligent computing and big data. Ultimately, digitization allows banks to deliver more tailored, better accessible and user-friendly service than ever before. In terms of next focus areas, innovation in compliance and risk management areas will be crucial – here as well, we are already actively engaged.

Thiam: Technology-driven innovation has disrupted several areas of banking, although the innovators have so far focused on the retail segment. With the fintech trend slowing down gradually, I think we will see more fintech exits – often as acquisitions by established banks – and we will also see business collaborations. I also believe the back office space offers a much greater disruption potential than has been captured so far. Ultimately, I am convinced that innovation will remain one of the key drivers of competitiveness in banking and our strategy will continue to consider that.

What role does compliance and risk culture play in the new strategy?

Rohner: To ensure the future success of our business, it is important that we place our clients at the center of all that we do. We have to encourage an entrepreneurial mindset and constantly ask ourselves whether we are doing the right thing. Openness, integrity and principled behavior are key in this context. We are committed to promoting a strong risk culture and to providing our businesses with sophisticated and independent risk management, compliance and control processes. The Board of Directors and the Executive Board expect all employees at all levels of our organization to adhere to the very highest compliance standards. We clearly communicate these expectations and have implemented appropriate internal regulations and training courses to support employees in this area. We do not tolerate any breaches of these rules, regulations or laws. To further strengthen our efforts to protect our reputation, we have created the new Compliance & Regulatory Affairs function, which oversees the bank's activities at all levels. The high level of professionalism and dedication demonstrated by our employees when implementing our strategy inspires me with confidence that we will also be able to meet our ambitious goals in this area.

Message from the Chairman and the Chief Executive Officer

Dear shareholders, clients and colleagues

2015 was a year of transition for Credit Suisse. Following the change in Chief Executive Officer in July 2015, we conducted an in-depth review of our businesses and long-term objectives and subsequently announced a new strategic direction for our Group on October 21, 2015. Our ambition is to be a leading private bank and wealth manager with distinctive investment banking capabilities that is able to grow profitably and generate capital through the economic cycle.

In line with our new strategy, we announced a simplified organizational structure with three geographically focused divisions – the Swiss Universal Bank (Swiss UB), Asia Pacific (APAC) and International Wealth Management (IWM). They are supported by two divisions focusing on our investment banking capabilities – Global Markets (GM) and Investment Banking & Capital Markets (IBCM). With this new structure, we can respond more flexibly to our clients' needs through enabling our geographical divisions to leverage our combined expertise and resources in wealth management and investment banking. This new organization also gives our business heads clearer accountability both in terms of managing client relationships and the resources they require to maximize value creation. In parallel, we have strengthened the Group's control and compliance functions with significant investments in our risk management, control and information capabilities. The refocusing of the Group necessitated changes to the leadership structure resulting in a new composition of the executive team to drive the new business units and the central functions forward.

To ensure that Credit Suisse has a strong capital position to deliver on its strategy and capture attractive opportunities for growth, we announced a capital increase by way of a private placement and a rights offering in October 2015. The capital increase was approved by shareholders at our Extraordinary General Meeting in November and was concluded in December 2015. With this capital raise completed, our look-through CET1 capital ratio as of the end of 2015 has never been stronger, allowing us to implement important restructuring measures aimed at delivering profitable growth for our shareholders through the economic cycle. With the strengthened balance sheet, we are confident that we can deliver on our commitments and our capital allocation strategy is focused on businesses that offer returns in excess of their cost of capital. We believe that this will lead to increased investment in our three geographically focused divisions, notably our home market of Switzerland, where we have a strong franchise and capabilities, and to our growth markets in the emerging economies, particularly in the Asia Pacific region, where we also have a strong franchise. Our IWM division unifies the teams serving clients in other parts of the world.

In addition, we continue to reduce the size of our investment bank to ensure that it supports our wealth management activities, consumes less capital and generates less volatile earnings. In particular, we continue to right-size our operations in GM and are exiting or reducing selected activities consistent with the desire for higher return on capital and a lower risk profile. We have already substantially reduced risk-weighted assets and leverage exposure, exceeding our end-2015 targets, and are now targeting further significant reductions within the GM division until end-2016. In particular, we intend to reduce GM's risk-weighted assets target of USD 83-85 billion to approximately USD 60 billion, and lower the division's leverage exposure target from USD 380 billion to USD 290 billion by year-end. We are accelerating the right-sizing of our GM division and plan to further invest in our leading equities franchise and reduce our fixed income activities to operate on a substantially lower cost base and generate more stable earnings through the economic cycle. In our IBCM division, we are rebalancing our activities towards advisory and equity underwriting and towards investment grade corporates, which should help us to generate higher-quality earnings.

Cost competitiveness and flexibility are imperatives for our bank in today's rapidly evolving operating environment. We are therefore applying a rigorous, disciplined approach to cost management across the Group to reduce our cost base and lower the bank's break-even point, thus enhancing our ability to generate capital through the economic cycle. In February 2016, we announced plans to accelerate our cost savings program and in March we announced further savings and increased our gross cost reduction target for end-2018 from CHF 3.0-3.5 to CHF 4.0 – 4.5 billion and announced an operating cost base target of CHF 19.5 – 20.0 billion by end-2016. The majority of these cost savings will largely be driven by the accelerated reduction of the GM division. Combined with the measures already implemented in 4Q15 (including the transfer of our US Private Banking operations), we have already made considerable progress on reducing our cost base and thanks to the better cross divisional collaboration, we are able to further accelerate the pace of targeted cost savings. We believe that this will provide us with the flexibility we need to successfully navigate periods of market uncertainty and to fund the investments we intend to make to deliver profitable growth through the economic cycle for our shareholders.

Economic and political trends that shaped the market

2015 was a challenging period for the entire industry. Central bank actions remained a prominent topic during the year, with interest rates at historically low levels. On January 15, 2015, the Swiss National Bank announced the discontinuation of the minimum exchange rate of CHF 1.20 per euro – a move that caused a sharp appreciation of the Swiss franc and had a significant impact on the Swiss economy and the domestic banking sector for the remainder of the year. Thanks to the mitigating actions that we implemented, we were able to limit the impact on Credit Suisse.

Also in January 2015, the European Central Bank announced its plans to begin purchasing eurozone government bonds as a means of lowering bond yields and pushing the rate of inflation back towards its medium-term target of 2%. While the conflicts in parts of the Middle East continued to intensify – heightening the global climate of uncertainty – the Greek debt crisis and discussions about a potential UK exit from the EU added to concerns about a destabilization of Europe's monetary union. With worries about a growth slowdown in China and the emerging markets rising in the second half of 2015, the European Central Bank cut the deposit rate again in December 2015 and decided to extend its bond purchase program until at least the end of March 2017. At its meeting on March 10, 2016, the European Central Bank yet again cut all of its key interest rates in a further attempt to boost inflation and growth rates, given the persisting volatile market environment.

In contrast, the question about when the US Federal Reserve would tighten its own monetary policy remained a subject of intense public speculation during 2015. Following the decision by the People's Bank of China to devalue the renminbi against the US dollar – partly to offset decelerating growth – the US Federal Reserve postponed its first interest rate increase in almost a decade at its September meeting. The increase that finally occurred in December 2015 was largely motivated by strong US employment data and robust economic growth. While financial markets barely reacted to the actual announcement, which had widely been expected, discussions since the beginning of 2016 have focused on the question of the pace at which the US Federal Reserve is likely to raise interest rates going forward, especially following its decision to hold off on a further rate rise at the March meeting. Moreover, the global effects of the divergent monetary policies of the US Federal Reserve and the European Central Bank remain a prominent topic of discussion.

The divergence in monetary policy, uncertainty about economic growth in China, the decline in oil prices, lower market liquidity, widening credit spreads and the renewed strength of the Swiss franc have all led to a challenging market environment for Credit Suisse, particularly during the fourth quarter of 2015. All of these factors have contributed to lower levels of client activity and issuances, and large fund redemptions by market participants affecting asset prices. Market conditions have also remained challenging during the initial months of 2016, however, it is too early to determine how these challenges will evolve over the remainder of 2016.

Regulatory Issues

Regulatory requirements continued to evolve throughout 2015. In February 2015, the Swiss Federal Council presented its evaluation report on Switzerland's "Too Big to Fail" (TBTF) regime, which proposed the implementation of the new global standard for Total Loss-Absorbing Capacity (TLAC). The implementation of TLAC is largely seen as the last building block to end TBTF. The new Swiss capital rules are more strict than the TLAC standard issued by the Financial Stability Board. In fact, the Swiss requirements will be stronger than those of other financial centers. Based on the end 2015 balance sheet, Credit Suisse would be subject to a going and gone concern requirement of 28.6% of risk-weighted assets. Throughout 2015, Credit Suisse issued CHF 15 billion of senior bail-in instruments, which we expect to be TLAC eligible, marking an important step towards achieving our total requirement in accordance with the proposed amendments to the Swiss TBTF regime.

In addition to these new TLAC requirements, the new draft Swiss TBTF regime will increase the going concern capital and leverage requirements. Under these new going concern requirements, Credit Suisse would need to fulfill a 14.3% Tier 1 capital ratio with a minimum CET1 component of 10% and a minimum Swiss leverage ratio of 5%, of which the minimum CET1 component is 3.5%, by end-2019. The new requirements are expected to become effective on July 1, 2016, subject to phase-in.

The continued tightening of regulatory requirements for banks is likely to remain a dominant topic. Although the new rules announced by the Swiss Federal Council are yet to be finalized, we believe that the completion of our capital increase in December 2015 and our success in improving our leverage exposure will enable us to meet these requirements on a look-through basis ahead of the 2019 deadline. We also aim to further strengthen our capital base through operating profitably and focusing on maximizing the free capital generation. We aim at maintaining a CET1 capital ratio of between 11-12% during 2016 and are targeting a CET1 capital ratio of approximately 13% and a Tier 1 leverage ratio between 5-6% with a CET1 component of 3.5-4.0% by end-2018. Over the next three years, through a disciplined capital allocation process, we intend to release capital from those parts of the Group that are being wound down in the Strategic Resolution Unit (SRU) and to fund further growth in our APAC and IWM divisions.

2015 Results

Against the challenging backdrop of 2015, we reported a net loss attributable to shareholders of CHF 2.9 billion and a pre-tax loss of CHF 2.4 billion. Our results for the full year 2015 were mainly affected by a significant goodwill impairment charge of CHF 3.8 billion that we recognized primarily in respect of the acquisition of Donaldson, Lufkin & Jenrette in 2000. In addition, restructuring costs of CHF 355 million were taken in 4Q15 across all the divisions in connection with the implementation of our new strategy and our results were further impacted by charges relating to significant litigation items and a pre-tax loss in the SRU as we wind down businesses that no longer fit with our strategic direction. The losses we incurred, especially during the fourth quarter, the impact of the losses on our capital position, as well as the goodwill write-down, in combination with the challenging market conditions, have led to negative reactions by market participants.

Beyond these issues, as we move ahead with the implementation of our strategy and work towards our 2018 targets, we consider it important to measure the progress made in terms of our underlying business performance. Between now and 2018, the bank's restructuring will make the analysis of our performance more complex. Hence, we are focusing on adjusted Core results, which are measured excluding SRU activities, goodwill impairment, restructuring expenses, real estate transactions, deconsolidation, business sales, significant litigation expenses and the impact from fair value of own debt. Until 2018, we plan to report on this same adjusted basis at Group, Core and business level, as we believe that this will allow investors to most effectively monitor our progress on the implementation of our new strategy, given the material restructuring charges and other one-off items we expect to be borne in the interim period.

Our adjusted results reflect a positive start in the implementation of the new strategy and contained some encouraging trends despite volatile market conditions in 4Q15. The Group delivered adjusted* Core pre-tax income of CHF 4.2 billion for 2015 and the underlying performance of our three newly created geographic divisions – Swiss UB, IWM and APAC – highlights the long-term attractiveness of the opportunities that exist for wealth managers.

The performance of the APAC division in particular highlighted the growth potential in the region and our strong market position: at over CHF 1.1 billion, APAC delivered the highest full-year adjusted* pre-tax income in five years and generated CHF 17.8 billion of net new assets. The Swiss Universal Bank increased its 2015 adjusted* pre-tax income by 4% to CHF 1.6 billion and is on track for a partial IPO (20-30%) planned by year-end 2017, market conditions permitting[1]. IWM's Private Banking business grew its 2015 adjusted* pre-tax income by 6% to CHF 0.8 billion.

Net new asset generation was particularly strong in APAC and Swiss UB, which generated CHF 17.8 billion and CHF 13.8 billion of net new assets, respectively, in 2015. Additionally, we increased mandates penetration from 15% to 26% in Swiss UB and from 23% to 30% in IWM.

Our full year performance, particularly in the geographic divisions, was obscured to a degree by poorer results during the fourth quarter, particularly from our investment banking divisions. We have continued to rebalance our investment banking businesses and to rebuild our IBCM division through targeted investments and by shifting activity towards advisory, equity underwriting and investment grade corporates in order to reduce the volatility of our earnings in this attractive, capital-light activity. In the GM division, our full-year performance was additionally adversely impacted by certain legacy inventory positions, which had to be written down as a result of the low liquidity and poor market conditions in the fourth quarter of 2015. While these positions have already been reduced aggressively since we announced the new strategy, we believe that it will be essential for us to continue to restructure our GM activities to lower our risk profile. We will maintain our focus on lowering the fixed-cost base of all our businesses.

Changes to the Executive Board

The refocusing of the Group and its structural reorganization necessitated changes to the leadership structure, resulting in a new composition of the executive team, which was further enriched by six new members in order to drive forward the new business units and the central functions: Pierre-Olivier Bouée, Peter Goerke, Thomas Gottstein, Iqbal Khan, Helman Sitohang and Lara Warner. In October 2015, Gaël de Boissard, Hans-Ulrich Meister, Robert Shafir and Pamela Thomas-Graham stepped down from the Executive Board, and we thank them for their considerable contributions to our bank's progress over the years.

Positioned for Growth

Given the persisting challenges in the operating environment for banks, we have taken decisive measures to further accelerate the implementation of our strategy by increasing the pace with which our GM division will be right-sized in order to substantially lower our cost base and break-even point and thus decrease the volatility of our earnings going forward. With these changes in place, we are confident that with our strategy, our regionally and client-focused structure and our new management team, we are positioned to deliver over time compliant, well-controlled and profitable growth and returns for our shareholders. Thanks to our clients' and shareholders' continued trust in Credit Suisse, as well as our employees' dedication, we will continue to remain focused on deploying all our capabilities and expertise to best service our clients. We will implement our strategy with determination and are confident to deliver on the targets we have set for end-2018.

Best regards

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

March 2016

* Adjusted results are non-GAAP financial measures. For a reconciliation of the adjusted results to the most directly comparable US GAAP measures, see the "Reconciliation of adjusted results" part of this letter.

[1]Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate / raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

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Reconciliation of adjusted results

Adjusted results are non-GAAP financial measures that exclude goodwill impairment and certain other 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 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.

Core Results

		in
CHF million	2015	2014
Income before taxes reported	**88**	**7,200**
Fair value gains on own debt	(298)	(543)
Real estate gains	(95)	(414)
Gains on business sales	(34)	(101)
Adjustments to net revenues	(427)	(1,058)
Goodwill impairment	3,797	–
Restructuring expenses	202	–
Major litigation provisions	530	111
Adjustments to total operating expenses	4,529	111
Total adjustments	4,102	(947)
Adjusted income before taxes	**4,190**	**6,253**

Swiss Universal Bank

		in
CHF million	2015	2014
Income before taxes reported	**1,659**	**1,976**
Real estate gains	(95)	(414)
Gains on business sales	(23)	(24)
Adjustments to net revenues	(118)	(438)
Restructuring expenses	39	–
Major litigation provisions	25	–
Adjustments to total operating expenses	64	–
Total adjustments	(54)	(438)
Adjusted income before taxes	**1,605**	**1,538**

International Wealth Management

		in
CHF million	2015	2014
Income before taxes reported	**709**	**1,212**
Gains on business sales	(11)	(77)
Adjustments to net revenues	(11)	(77)
Restructuring expenses	33	–
Major litigation provisions	268	51
Adjustments to total operating expenses	301	51
Total adjustments	290	(26)
Adjusted income before taxes	**999**	**1,186**

International Wealth Management – Private Banking

		in
CHF million	2015	2014
Income before taxes reported	**526**	**795**
Gains on business sales	(11)	(77)
Adjustments to net revenues	(11)	(77)
Restructuring expenses	30	–
Major litigation provisions	268	51

Adjustments to total operating expenses	298	51
Total adjustments	287	(26)
Adjusted income before taxes	**813**	**769**

Asia Pacific

in CHF million	2015	2014
Income before taxes reported	**377**	**900**
Goodwill impairment	756	–
Restructuring expenses	3	–
Major litigation provisions	6	–
Adjustments to total operating expenses	765	–
Total adjustments	765	–
Adjusted income before taxes	**1,142**	**900**

Global Markets

in CHF million	2015	2014
Income/(loss) before taxes reported	**(1,944)**	**2,657**
Goodwill impairment	2,661	–
Restructuring expenses	105	–
Major litigation provisions	231	60
Adjustments to total operating expenses	2,997	60
Total adjustments	2,997	60
Adjusted income before taxes	**1,053**	**2,717**

Investment Banking & Capital Markets

in CHF million	2015	2014
Income/(loss) before taxes reported	**(353)**	**508**
Goodwill impairment	380	–
Restructuring expenses	22	–
Adjustments to total operating expenses	402	–
Total adjustments	402	–
Adjusted income before taxes	**49**	**508**

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As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. As of January 1, 2015, the BIS leverage ratio framework, as issued by BCBS, was implemented in Switzerland by FINMA. The related disclosures are in accordance with Credit Suisse's interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of Credit Suisse's assumptions or estimates could result in different numbers from those shown herein.

References to phase-in and look-through included herein refer to Basel III requirements. Phase-in under the Basel III capital framework reflects that for the years 2014 – 2018, there will be a five-year (20% per annum) phase in of goodwill and other intangible assets and other capital deductions (e.g., certain deferred tax assets) and for the years 2013 – 2022, there will be a phase out of certain capital instruments. Look-through assumes the full phase-in of goodwill and other intangible assets and other regulatory adjustments and the full phase out of certain capital instruments.

Unless otherwise noted, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments.

Cost reduction program measured on constant FX rates and based on expense run rate excluding major litigation expenses, restructuring costs and goodwill impairment taken in 4Q15, but including other costs to achieve savings.

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" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2015, and in other public filings and press releases. We do not intend to update these forward-looking statements except as may be required by applicable law.

Mandates penetration means advisory and discretionary mandates in private banking businesses as a percentage of the related assets under management, excluding those from the external asset manager business.

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

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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 take a balanced approach to capture the wealth management opportunities in emerging markets, the largest of which is in the Asia Pacific region, while also serving key developed markets with an emphasis on Switzerland. Founded in 1856, we today have a global reach with operations in over 50 countries and 48,200 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 consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do 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 of Switzerland, which offers attractive growth opportunities and where we can build on a strong market position across our key businesses. Our private banking business has a leading franchise in our Swiss home market and serves ultra-high-net-worth individuals, high-net-worth individuals and retail clients. Our corporate and institutional banking business serves large corporate clients, small and medium-sized enterprises, institutional clients and financial institutions.

International Wealth Management

The International Wealth Management division offers tailored financial solutions to wealthy private clients and external asset managers in Europe, the Middle East, Africa and Latin America through its private banking business. The division's footprint spans emerging economies as well as mature European markets and it has access to the broad spectrum of Credit Suisse's global resources and capabilities. Our asset management business offers investment solutions and services globally to our private banking businesses and a wide range of other clients, including pension funds, governments, foundations and endowment funds, corporations and individuals.

Asia Pacific

The Asia Pacific division offers integrated private banking and investment banking financial solutions to wealthy individuals, institutional investors and corporate clients in the Asia Pacific region, drawing on Credit Suisse's global resources. The division is well positioned to capture market opportunities in Asia Pacific, which is experiencing rapid wealth creation and where the number of ultra-high-net-worth individuals is growing. We offer institutional investors access to broader financial markets and differentiated product offerings.

Global Markets

The Global Markets division offers a broad range of equities and fixed income products and services and focuses on client-driven businesses and on supporting Credit Suisse's private banking businesses and their clients. Our suite of products and services includes global securities sales, trading and execution services, prime brokerage, underwriting and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors – including 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 includes remaining portfolios from former non-strategic units plus transfers of additional exposures from the business divisions. The unit's primary focus is 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 provides

clearer accountability, governance and reporting.

Strategy

A new strategy to reposition Credit Suisse for the future

In 2015, Credit Suisse embarked on a new chapter of its 160 year history. Under the leadership of our new CEO, Tidjane Thiam, and the Board of Directors, we conducted an in-depth strategy review that has resulted in a new strategic direction, structure and organization of the Group.

Credit Suisse strategy

Our new strategy aims to strengthen our position as a leading private bank and wealth manager, with strong and distinctive investment banking capabilities, to achieve our goal of profitable growth while generating significant capital through the cycle. We are accelerating the rebalancing of capital towards our private banking businesses to optimize its allocation and focus on the highest-returning, most scalable opportunities.

We are focused on growing in Asia Pacific and other emerging markets in order to capture the significant wealth management prospects in those markets. We expect that emerging markets will account for approximately 60% of the growth in global wealth in the coming years, with first generation entrepreneurs driving much of the wealth opportunity. 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.

Despite slower growth, mature markets are still expected to remain important and account for more than half of wealth distribution by 2019. As a result, we plan to take a balanced approach to resource allocation with the goal of capitalizing on opportunities in markets such as Western Europe and Japan. In Western Europe, we also plan to accelerate efficiencies by consolidating booking centers and developing a hub and spoke service model. In the US, we have exited private banking investment advisory but plan to continue to cover the corporate and complex personal wealth needs of >>>ultra-high-net-worth individuals (UHNWI) from our Investment Banking & Capital Markets business.

Switzerland, as our home market, provides compelling opportunities for Credit Suisse. To further expand our position with Swiss private, corporate and institutional clients and take advantage of consolidation opportunities, we have created a dedicated Swiss Universal Bank. Management focus and accountability will be enhanced, simplifying the prior structure and allowing the bank to build on its entrepreneurial heritage and further leveraging its brand. We provide a full range of services to private, corporate and institutional clients with a specific focus on becoming the "Bank for Entrepreneurs." We intend to pursue an initial public offering (IPO) by the end of 2017, market conditions permitting, of between 20% and 30% of the legal entity Credit Suisse (Schweiz) AG. Any such IPO would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

Our intention is to focus on the investment banking businesses that support our wealth management clients, and businesses that deliver returns in excess of their cost of capital and have leading market positions. Within our Global Markets division, we continue to right-size our operations by exiting or downsizing selected businesses consistent with our lower risk profile and higher return on capital objectives. In Global Markets, we have reduced risk-weighted assets and leverage exposures to below the targets we had set for the end of 2015. We plan to further invest in our leading equities franchise and restructure our fixed income activities to generate more stable earnings through the cycle. In our Investment Banking & Capital Markets division, we are rebalancing our activities towards advisory and equity underwriting and towards investment grade corporates, which should help us to generate higher-quality earnings.

We have formed a new Strategic Resolution Unit intended to oversee the effective wind-down of businesses and positions that do not fit our strategic direction in the most efficient manner possible. The Strategic Resolution Unit consolidates the remaining portfolios from our former non-strategic units plus additional activities and businesses from the investment banking and private banking businesses that are no longer considered strategic. We aim to reduce the Strategic Resolution Unit's risk-weighted assets and leverage exposure by approximately 80% by 2020, excluding operational risk.

We intend to rigorously execute a disciplined approach to cost management across the Group to reduce our fixed cost base and lower our break-even point. In February 2016, we announced plans to further accelerate our cost savings program and have identified and initiated measures, including an accelerated workforce reduction, that are expected to

result in cost savings of CHF 500 million per annum on a full-year run-rate basis. Combined with the measures already implemented in the fourth quarter of 2015 (including the transfer of our US Private Banking operations), the cost savings measures identified and initiated by end-January 2016 represent CHF 1.2 billion per annum, or 34%, of the CHF 3.5 billion of gross savings we are targeting by end-2018. Cost savings are expected to be achieved through a combination of simplifying mid- and back-office platforms, right-sizing the bank's footprint, substantial completion of several Corporate Center programs and making a number of disposals and closures, including in the run-down of the Strategic Resolution Unit. In parallel to these cost reductions, we plan to invest CHF 1.5 billion to support growth initiatives in Asia Pacific, Swiss Universal Bank and International Wealth Management. The cost reduction program is measured on constant foreign exchange rates and is based on expense run rate excluding major litigation expenses, restructuring costs and goodwill impairment taken in the fourth quarter of 2015, but including other costs to achieve savings.

To ensure that we have a strong capital position to implement our strategy, capture the most promising growth opportunities and be prepared for future regulatory changes, we have completed a capital increase by way of a private placement and a rights offering as approved by the shareholders at the Extraordinary General Meeting of November 19, 2015. The aggregate gross proceeds of the capital increases amounted to a total of CHF 6.0 billion, resulting in a look-through common equity tier 1 (CET1) ratio of 11.4% and look-through CET1 leverage ratio of 3.3% as of year-end 2015.

As our strategy is executed, we intend to generate approximately CHF 23–25 billion of operating free capital by 2020. Operating free capital focuses on those components of shareholders' equity that are regulatory capital relevant, specifically income before taxes (excluding fair value on own debt) net of cash taxes, as well as deferred tax asset threshold impacts, additional costs relating to share awards and net impact of defined benefit pension funds.

Organizational structure and management changes

To support the execution of the new strategy, we have simplified our organization and created three new, regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific serving Western Europe, Central and Eastern Europe, Latin America and Africa. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. Our new organization is designed to drive stronger client focus and provide better alignment with regulatory requirements. We believe that decentralization will increase 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. Our newly established position of Chief Operating Officer focuses on driving the transformation of Credit Suisse and oversees, among other things, global operations, information technology and our centers of excellence. To further strengthen our focus on compliance and regulatory matters, we have created the position of Chief Compliance and Regulatory Affairs Officer that focuses on monitoring bank activities and coordinating regulatory interactions. The Chief Financial Officer manages the Group's capital, funding, liquidity and expenses to ensure we are well capitalized and have a strong balance sheet. The Chief Risk Officer governs the Group's risk management framework and provides independent risk oversight. Our General Counsel provides legal, policy and regulatory advice, especially in the context of potential or actual legal matters and investigations. It drives strategic legal risk management and manages our relationship with policymakers and other political stakeholders. Our Head of Human Resources, Communications & Branding is responsible for attracting, retaining and developing our employees, driving our global communications strategy and developing and strengthening the Credit Suisse brand.

As of October 21, 2015, the Board of Directors appointed six new members of the Executive Board of Credit Suisse – Pierre-Olivier Bouée, Peter Goerke, Thomas Gottstein, Iqbal Khan, Helman Sitohang and Lara Warner. In October 2015, Gaël de Boissard, Hans-Ulrich Meister, Robert Shafir and Pamela Thomas-Graham stepped down from the Executive Board.

The composition of the Executive Board is as follows:

Tidjane Thiam	Chief Executive Officer
Thomas Gottstein	Swiss Universal Bank
Iqbal Khan	International Wealth Management
Helman Sitohang	Asia Pacific
Timothy O'Hara	Global Markets
James L. Amine	Investment Banking & Capital Markets
David Mathers	Chief Financial Officer
Pierre-Olivier Bouée	Chief Operating Officer
Joachim Oechslin	Chief Risk Officer
Lara Warner	Chief Compliance and Regulatory Affairs Officer

Romeo Cerutti	General Counsel
Peter Goerke	Human Resources, Communications & Branding

Financial objectives

On October 21, 2015, we announced the following financial objectives and management actions in order to track progress in implementing our new strategy:

– increase income before taxes for Asia Pacific to CHF 2.1 billion in 2018;

– increase income before taxes in International Wealth Management to CHF 2.1 billion in 2018;

– grow income before taxes for the Swiss Universal Bank to CHF 2.3 billion in 2018;

– reduce our absolute cost base by CHF 2.0 billion to between approximately CHF 18.5–19.0 billion by year-end 2018. These cost savings are expected to be achieved through CHF 3.5 billion in gross cost savings by year-end 2018 through a combination of optimizations to make our business more efficient. In parallel to these cost reductions, CHF 1.5 billion will be invested to support growth initiatives in Asia Pacific, Swiss Universal Bank and International Wealth Management;

– achieve a look-through CET1 ratio of approximately 13% and a look-through CET1 leverage ratio of above 3.5% by year-end 2018 before future regulatory recalibration;

– maintain Global Markets risk-weighted assets stable at approximately USD 83–85 billion between year-end 2015 and year-end 2018;

– reduce Global Markets leverage exposure from approximately USD 380 billion at year-end 2015 to approximately USD 370 billion by year-end 2018;

– wind down the Strategic Resolution Unit risk-weighted assets (excluding operational risk) to CHF 12 billion by year-end 2018 and reduce leverage exposure to CHF 40 billion by year-end 2018 to support growth initiatives, mainly in Asia Pacific, Swiss Universal Bank and International Wealth Management;

– measure our performance by generating approximately CHF 23-25 billion of operating free capital by 2020; and

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– plan to continue our existing policy of recommending a dividend of CHF 0.70 per share with a scrip alternative until we reach our 2015–2018 look-through CET1 and leverage ratio targets and have greater clarity on potential regulatory changes and litigation risks. However, our intention would be to end the scrip alternative and recommend a move to a full cash dividend no later than 2017. Furthermore, in the longer term, we would aim to distribute a minimum of 40% of our operating free capital. The Board of Directors will consider setting a higher payout ratio as appropriate in due course.

Acceleration of the announced strategy

On March 23, 2016, we announced a number of additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower our cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the reshaping of our Global Markets business and further strengthen our capital position. The additional measures and new financial objectives include:

– increasing our gross savings target of CHF 3.5 billion by year-end 2018 to CHF 4.3 billion. The net cost savings target in the same time period has increased from CHF 2.0 billion to at least CHF 3.0 billion. These measures are expected to lead to an absolute cost base of CHF 18.0 billion or less by year-end 2018;

– setting a gross cost savings target for the Group of CHF 1.7 billion by year-end 2016;

– reducing the risk-weighted assets target in the Global Markets division from approximately USD 83 – 85 billion to USD 60 billion and the leverage exposure target from approximately USD 380 billion to USD 290 billion by year-end 2016;

– exiting the Distressed Credit, European Securitized Products trading and Long-Term Illiquid Financing businesses in Global Markets;

– the assets from businesses we are exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016 and we are consolidating foreign exchange trading into our trading operations within Swiss Universal Bank; and

– disposals of real estate and non-core businesses and other actions to increase CET1 capital by at least CHF 1 billion during 2016.

The cost reduction program is based on the 2015 cost base and measured on constant foreign exchange rates and based on an expense run rate excluding major litigation expenses, goodwill impairment charges and estimated restructuring costs of CHF 2.0 billion (previously announced CHF 1.3 billion), but including other costs to achieve the savings, which do not meet the accounting definition of restructuring costs. Implementation of these strategy measures will lead to a recasting of prior period segment results, principally in respect of the Global Markets business and the Strategic Resolution Unit, and an assessment of certain balance sheet items.

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.

Structured advisory process

We apply a structured approach based on a thorough understanding of our clients' needs, personal situation, product knowledge, investment objectives and a comprehensive analysis of their financial situation to define individual client risk profiles. On this basis we define together with our clients an individual investment strategy. This strategy is implemented ensuring that portfolio quality standards are adhered to and that all investment instruments are compliant with suitability and appropriateness standards. 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.

Client segment specific value propositions

We offer a wide range of wealth management solutions tailored to specific client segments. The distinct value proposition of our integrated bank remains a key strength in our client offerings. Close collaboration with our investment banking businesses enables us to offer customized and innovative solutions to our clients, especially in the UHNWI segment, and we have specialized teams offering bespoke and complex solutions predominantly for our sophisticated clients. In addition, we offer solutions for a range of private and corporate wealth management needs, including succession planning, tax advisory and financial planning.

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 guidelines of the Investment Solutions & Products Group and the 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.

Multi-shore platform

With global operations comprising 14 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 mergers and acquisitions (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, insurances, 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 include multi-asset class solutions, which provide clients with innovative strategies and comprehensive management across asset classes to optimize client portfolios with services that range from funds to fully customized solutions. Other core investment strategies include a suite of fixed income, equity and real estate funds, and our indexed solutions business which provides institutions and individual clients access to a wide variety of asset classes in a cost-effective manner. Stressing investment principles such as risk management and asset allocation, we take an active and disciplined approach to investing.

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

Investment banking financial solutions

Equity underwriting

Equity capital markets originates, syndicates and underwrites equity in 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.

Fixed income

– **Credit products** offers a full range of fixed income products and instruments to clients across investment grade and high yield credits, ranging from standard debt issues and credit research to fund-linked products, derivatives instruments and structured solutions that address specific client needs. We are a leading dealer in flow trading of single-name >>>credit default swap (CDS) on individual credits, credit-linked notes and index swaps. Investment grade trades domestic corporate and sovereign debt, non-convertible preferred stock and short-term securities such as floating rate notes and >>>commercial paper. Leveraged finance provides capital raising and advisory services and core leveraged credit products such as bank loans, bridge loans and high yield debt for non-investment grade corporate and financial sponsor-backed companies.

– **Securitized products** trades, securitizes, syndicates, underwrites and provides research for various forms of securities, primarily >>>residential mortgage-backed securities (RMBS) and asset-backed securities (ABS). Both RMBS and ABS are based on underlying pools of assets, and include both government- and agency-backed, as well as private label loans. Core to the securitized products franchise is its asset financing business, which focuses on providing asset and portfolio advisory services, and financing solutions to clients across asset classes.

– **Emerging markets** offers a full range of fixed income products and instruments, including sovereign and corporate securities, local currency derivative instruments and tailored emerging market investment products. The business is organized around financing, structured credit, trading, capital markets and strategic transactions, with a focus on supporting emerging markets through its onshore and offshore service models.

– **Global macro products** includes our restructured rates and foreign exchange businesses. Our rates business includes the full spectrum of cash and derivatives, including select non-cleared and structured solutions. Foreign exchange provides market making in products such as spot and options for currencies in developed markets. The foreign exchange product suite also includes proprietary market leading technology to provide clients with electronic trading solutions.

Equity

– **Cash equities** provides a comprehensive suite of offerings: (i) research, analytics and other content-driven products and services, to meet the needs of clients including mutual funds, investment advisors, banks, pension funds, hedge funds, insurance companies and other global financial institutions; (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 execution; (iii) trading, which executes client orders and makes markets in listed and >>>over-the-counter (OTC) cash securities, exchange-traded funds and programs, providing liquidity to the market through both capital commitments and risk management; and (iv) Credit Suisse's >>>advanced execution services (AES), a sophisticated suite of algorithmic trading strategies, tools and analytics to facilitate global equity trading. 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 hundreds of trading destinations in over 40 countries and six continents.

– **Equity derivatives** provides a full range of equity-related products, investment options and financing solutions, as well as sophisticated hedging and risk management expertise and comprehensive execution capabilities to financial institutions, hedge funds, asset managers and corporations. Convertibles involves both secondary trading and market making and the trading of credit default and asset swaps and the distribution of market information and research. The global convertibles business is a leading originator of new issues throughout the world.

– **Prime services** offers hedge funds and institutional clients execution, financing, clearing and reporting capabilities across various asset classes through prime brokerage, synthetic financing and listed and OTC derivatives. In addition, prime services is a leading provider of advisory services across capital services and consulting for both start-ups and existing clients.

– **Systematic market-making group** operates a range of liquidity-providing and market-making strategies in liquid markets.

Other

Other products and activities include lending, certain real estate investments and the distressed asset portfolios. 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 20,000 companies in over 60 countries, 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. The division comprises the Private Banking and Corporate & Institutional Banking businesses.

Our **Private Banking** business has a leading client franchise in Switzerland, serving over 1.6 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 access to a broad range of comprehensive products and services. We also have a specialized consumer finance business branded BANK-now. In addition, we offer best-in-class service, platform and technology support to external asset managers in Switzerland. Our Swiss network includes 1,570 relationship managers in 184 branches, including 33 branches of the bank's affiliate, Neue Aargauer Bank.

Our **Corporate & Institutional Banking** 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, financial institutions and commodity traders. This business also includes our Swiss investment banking business serving corporate clients and financial institutions on financing transactions in the debt and equity capital markets and advising on M&A transactions. Our business includes 490 relationship managers who serve our clients out of 48 locations.

Key data – Swiss Universal Bank

			in / end of
	2015	2014	2013
Key data			
Net revenues (CHF million)	5,563	5,721	5,612
Income before taxes (CHF million)	1,659	1,976	1,740
Assets under management (CHF billion)			
– Private Banking	241.0	258.6	244.2
– Corporate & Institutional Banking	275.8	275.9	250.0
Number of employees	14,200	13,200	13,200

Business environment

The Swiss private banking and wealth management industry is very attractive and continues to have positive growth prospects. Switzerland has the highest millionaire density worldwide and is expected to continue to have the highest average wealth per adult. Assets of UHNWI and HNWI are projected to grow approximately 4% and 3%, respectively, annually from 2014 through 2018. We are well positioned in the Swiss market with strong market shares across client segments.

The corporate and institutional banking business continues to offer attractive opportunities, supported by the expected steady growth of the Swiss economy. In a continued low interest rate environment, key trends in equity capital markets are expected to include an increase in IPOs, acquisition-related financing and monetization of equity holdings. We believe that the environment in the Swiss M&A market should remain supportive through 2016. 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 higher critical size. We believe that we are well positioned to opportunistically take advantage of the potential market consolidation. We are well advanced in adapting to the new environment as we have 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 pillar of success for our bank and is core to our overall strategy. Within Swiss Universal Bank, we combine all the strengths and critical mass of our 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. We announced in October 2015 plans to conduct a partial IPO of up to 30% of Credit Suisse (Schweiz) AG by end of 2017, underscoring its unique identity and value within Switzerland and within the Group. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

We expect to advance our business by focusing on the following four key priorities:

Focus to simplify

The Swiss Universal Bank division continues to serve the entire spectrum of clients from retail to UHNWI and from small to large corporate and institutional clients as well as external asset managers. In order to move closer to our Swiss client base and their needs, we have realigned our organization and have transferred business not originated in Switzerland to where it is originated.

Empower to grow

We are focusing our growth efforts and resources towards the most attractive client segments and we have developed client specific initiatives to realize profitable growth opportunities. The biggest untapped potential for us lies in the HNWI business, which is significantly growing and highly attractive. We expect to grow at a higher rate than the anticipated 3% annual market growth rate until 2018. In the HNWI business, we plan to hire approximately 80 additional relationship managers and further enhance and promote our mandates offering. In 2015, we were successful with our newly launched range of advisory mandates called Credit Suisse Invest. The conversion rate of our clients into this new offering was significantly above our expectations. With Credit Suisse Invest, we offer investment solutions based on client needs and their preferences for frequency and type of advice. It is also our ambition to be recognized as the "Bank for Entrepreneurs". We are not only aiming to strengthen our businesses serving HNWI, but also those serving small and medium-size enterprises and UHNWI, two client segments for which we have high growth ambitions. A dedicated organizational unit was established to support the development of joint client coverage plans between our HNWI business and small and medium-size enterprises teams and the development of a more focused value proposition catered to entrepreneurs. For the UHNWI business, we aim to double our lending book, increase our relationship manager population by 30% and gain market share in French and Italian speaking Switzerland. In the external asset managers business, we plan to build on our leading market position and are well positioned to exploit the opportunities from the ongoing consolidation of smaller banks by supporting them in becoming external asset managers or providing them external asset manager solutions to address their increased regulatory requirements and pressure on gross margins.

Drive efficiency agenda

We have significantly increased end-to-end accountability over Swiss costs and investments by moving Swiss-specific or Swiss platform-related corporate functions to Swiss Universal Bank. This should allow for a more business-oriented priority setting and faster decision making for investments. We also believe that efficiency can be strengthened by digital initiatives and increased automation. For instance, we launched an innovative new mobile banking application that has received positive client feedback. Going forward, we plan to continue to invest in our digital applications to enhance self-service capabilities for clients, improve productivity of client-facing employees and automate front-to-back processes.

Invest in brand

As part of the commitment to our Swiss businesses, we also strive to strengthen our brand and reputation by investing in targeted marketing activities, deepening our community involvement and contributing to the sustained development of our home market as an employer, lender, sponsor and member of economic, social and cultural society.

Awards and market share momentum

Credit Suisse was highly placed in a number of key industry awards in 2015:

– Best Investment Bank in Switzerland – 2015 Awards for Excellence – *Euromoney*
– Best Trade Finance Bank in Switzerland – *Global Finance*
– Best Sub-Custodian Bank in Switzerland – *Global Finance*
– Best Swiss Global Custodian – *R&M Consultants (London)*
– Best European Global Custodian – *R&M Consultants (London)*

international wealth management

Business profile

In International Wealth Management we offer comprehensive advice and a broad range of financial solutions to our private, corporate and institutional clients.

Our **Private Banking** business offers tailored and comprehensive advice and financial solutions to wealthy private clients and external asset managers in the regions of Europe, Middle East, Africa and Latin America. We serve our clients through 1,190 relationship managers in 46 locations in 28 countries, utilizing comprehensive access to the broad spectrum of our global resources and capabilities as well as access to a wide range of services and products from third-party providers.

Our **Asset Management** business offers investment solutions and services globally to a wide range of clients, including pension funds, governments, foundations and endowments, corporations and individuals, along with our private banking businesses. Our 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
	2015	2014	2013
Key data			
Net revenues (CHF million)	4,394	4,751	4,929
Income before taxes (CHF million)	709	1,212	1,217
Assets under management (CHF billion)			
– Private Banking	289.6	323.7	297.8
– Asset Management	321.3	305.2	270.1
Number of employees	9,100	8,700	8,700

Business environment

We believe that the private banking industry continues to have attractive growth prospects in mature markets and the emerging markets covered by International Wealth Management. Assets of HNWI and UHNWI clients within these markets are expected to grow by approximately 6% annually from 2015 through 2018. Wealth creation continues to be strong in Russia and Central & Eastern Europe (10%), Middle East (10%) and Latin America (7%) as wealth growth in these economies is fueled by an increase in population, entrepreneurial wealth creation and technological development. Although wealth is expected to grow at lower rates in developed economies such as the ones of Europe (3%), these

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markets continue to be of crucial importance, holding around 20% of the world's wealth.
The asset management industry continued to experience growth in 2015, despite volatility and weaker performance of financial markets worldwide. Developed markets rebounded as the major drivers of net inflows, while momentum slowed in some emerging markets. Within the asset management industry, investors continued to shift from active traditional strategies to passive, multi-asset class and alternative investment strategies. The alternative investment industry had a continued increase in assets under management in 2015. Within alternative investments, hedge funds recorded inflows for 2015, despite concerns over performance due to volatility, especially in emerging markets. The largest hedge funds continued to attract the majority of new assets. Private equity funds distributed a significant amount of capital and continued to raise additional funds.
Over the past years, European markets have been under significant structural pressure from regulatory changes and tax regularization, a trend that continued into 2015.
Profitability has come under pressure in a prolonged environment of low interest rates and reduced fee-based margins, the need to upgrade information technology platforms, cost of compliance to new regulatory demands and adjustments to the product offerings in response to changes in client behaviors.
Business strategy
Our private banking and asset management businesses are among the leaders by size and reputation in our target markets and regions. International Wealth Management is expected to contribute significantly to the Group's strategic and financial ambitions. The following three strategic priorities will guide our decisions:
Deliver client value
We are establishing integrated coverage teams across our private banking, investment banking and asset management businesses in order to provide clients with holistic coverage and access to the bank's wide range of capabilities. We plan to leverage our investment and research capabilities, deploying solutions and products tailored to our clients' needs in key markets. We also intend to address our clients' sophisticated financing needs by investing in additional resources and broadening our lending activities.
Enhance client proximity
Our focus on enhancing client proximity intends to capture market share by increasing the number of our relationship managers, targeting a net increase of approximately 300 relationship managers across our regions by the end of 2018. In addition, we are strengthening and adapting our footprint with technology investments at our key hubs, establishing new advisory offices and transforming unprofitable locations towards a sustainable business model. For lower wealth band HNWI, we plan to digitize our service model, combining an ease of use service delivery with our distinctive international investment offering, supported by digitally enabled client to relationship manager interactions with a focus on furnishing comprehensive investment advice.
Increase client time
We are making significant investments in processes and organizational changes to allow faster decision-making and shorter time-to-market of our solutions. We are also increasing the local market management's accountability to empower decision making. In addition, we plan to make investments in information technology and automation to reduce our relationship managers' administrative tasks so that they can spend more time with their clients.
ASIA PACIFIC
Business profile
Within the Asia Pacific division we offer a wide range of financial products and services, focusing on our UHNWI, HNWI, entrepreneur, corporate and institutional clients. We deliver integrated client coverage to provide connectivity and access to broader financial markets, differentiated product offerings, and tailored financing solutions.
Our **Private Banking** business combines its global reach through other divisions with a structured advisory process, offering a broad range of comprehensive and bespoke solutions and services that are tailored to our clients' complex needs. We offer our clients digital private banking access and serve them through 590 relationship managers in 13 locations across 7 countries.
Our **Investment Banking** business supports our key clients by advising on all aspects of M&A transactions, corporate sales and restructurings, divestitures and takeover defense strategies and provides equity and debt underwriting capabilities for entrepreneur, corporate and institutional clients. In addition, our investment banking business includes equity and fixed income sales and trading services, and provides access to a range of debt and equity securities, derivative products, and financing opportunities across the capital spectrum for corporate, sovereign and institutional

clients.

Key data – Asia Pacific

			in / end of
	2015	2014	2013
Key data			
Net revenues (CHF million)	3,839	3,335	3,018
Income before taxes (CHF million)	377	900	752
Assets under management (CHF billion)			
– Private Banking	150.4	150.5	121.3
Number of employees	6,700	5,900	5,500

Business environment

While equity markets in Asia Pacific were robust in 2015, particularly in Hong Kong, China and India, capital markets origination in developing Asia was subdued. Markets were driven by pronounced volatility, particularly in China, and expectations of a US interest

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rate increase, which impacted yield products, local currencies and primary issuance levels and activity.
Financial markets in Asia Pacific continue to undergo structural change. Industry initiatives, such as the Shanghai – Hong Kong Stock Connect, provided increasing investor access to the onshore market and will continue to drive investor flows. The inclusion of China's equity markets into worldwide indices is more probable as such equity markets become increasingly liberalized.
Wealth management in Asia Pacific continues to offer positive growth prospects compared to other regions. Increased entrepreneurial activity and a faster pace of economic growth and innovation has fueled development, and wealth creation in emerging markets is growing at a higher rate than more mature markets, with approximately 57% of new wealth in the region being driven by first generation entrepreneurs.
Regulatory requirements for investment advisory services in Asia Pacific also continued to increase, including in the areas of suitability and appropriateness of advice and anti-money laundering.
Business strategy
Through a leading franchise in Asia Pacific, we pursue a client-centric, capital efficient business model, allocating resources to those parts of the business that are essential to increasing our activities with existing and new clients. Our strategy to be recognized as the "Trusted Entrepreneurs Bank of Asia Pacific" is rooted in multi-generational client relationships with some of the most significant business owners in the region. Our long-term view on ensuring consistency of coverage and business diversity supports revenue stability and attractive returns. Together with our capacity to withstand fluctuating market conditions, this has been critical to our ability to attract the right talent to our platform and to foster a partnership culture with a long-term ambition. Looking ahead, our strategic focus is on growing revenues and enhancing the delivery of our integrated model to deliver strong returns to our shareholders. As such, we continue to focus our attention and resources on the following business areas and opportunities:
Focus on Ultra-High-Net-Worth activity
Asia Pacific has a highly dynamic client base. Our integrated platform, which spans industries and geographies, positions us to address the wealth and corporate needs of the growing base of UHNWI and entrepreneurs in the region. We have been recognized as a top private bank in Asia Pacific, and as a leader in advisory and capital markets activity. Our business platform connects wealthy individuals and institutional investors where, for example, investment banking mandates provide a source of attractive investment opportunities for UHNWI clients. We expect favorable long-term trends in wealth creation and the opening up of financial markets which offer associated growth opportunities to accelerate our pace of client acquisition and become an increasingly important provider of capital and liquidity solutions to key clients.
Deliver client critical equities and financing capabilities
We benefit from having leading positions in equities and certain fixed income markets, such as Asian rates trading. We have a top-ranked pan-Asia equities franchise and strong structured financing capabilities. Our competitiveness is supported by our ability to structure complex solutions across wealth and business interests and offer new products to our key clients. Continuous product innovation and a disciplined approach to risk help to form a baseline of profitability through market cycles. We continue to see opportunities to deliver new investment products and services from our investment banking platform. For example, we deliver institutionalized services to the growing family office client segment from our prime brokerage platform. We also expect financing growth to play a positive role in supporting the long-term economic development of Asian businesses and economies. Our financing business benefits from our exposure to UHNWI clients, who generally are high quality borrowers, meet strong collateral standards and are owners of large businesses. One of our financing businesses is our market-leading Emerging Markets Finance Group which services a range of borrowers with structured finance solutions. We expect to prudently build out quality credit and equity strategic financing to our clients, while remaining mindful of market volatility.
Grow broad base of business profitability
We plan to continue to invest and grow our existing business franchises where we have deep client relationships and strong, profitable market positions. Having a diversified business mix of clients, countries and product areas generally provides for a stable performance, especially in a region as dynamic as Asia Pacific, with its variety of economic characteristics. We believe that there is opportunity to grow our recurring fee-income base across the region, leveraging our integrated, advisory-led model. As a number of our peers reassess their Asia Pacific strategy and footprint, and as competition remains fierce, we intend to continue to adjust and innovate our business model and approach for new market entry or business acquisition to drive incremental growth. We believe that it is important to

have a targeted client and coverage strategy coupled with comprehensive client-centric capabilities to effectively compete in Asia Pacific.

Significant transactions

We executed a number of noteworthy transactions in 2015, reflecting the diversity of our franchise across countries, sectors and clients.

– We advised on a number of key deals in Southeast Asia; in Malaysia, we executed Malakoff Corporation Berhad's IPO (water and power producer), which was the third largest IPO in Southeast Asia over the past two years; in Indonesia, we advised on PT Hanjaya Mandala Sampoerna's (tobacco) follow-on offering and on Taiwan's Cathay Life Insurance Company's acquisition of a stake in Bank Mayapada Internasional Tbk (financial services); in the Philippines, we advised on Rizal Commercial Banking Corporation's sale of shares to Cathay Life Insurance Company (insurance).

– In China, we arranged Tsinghua Unigroup Company's debut international bond offering (construction and engineering), in which we were sole global coordinator, book runner and lead manager. The transaction was the largest unrated US dollar bond offering issued by a Chinese state-owned enterprise issuer. We also arranged financings for clients including China National Offshore Oil Corporation (oil and gas exploration and development), China Huarong Asset Management (financial services) and Tencent Holdings (media and internet), and we also advised on a private equity placement for Alibaba Pictures Group (film and media).
– In Korea, we advised on Samsung C&T Corporation's merger with Cheil Industries (textiles). In Australia and New Zealand, we advised GE Capital (financial services) on the sale of its consumer finance business. In Pakistan, we were involved in the government's sale of shares in Habib Bank.
Awards and market share momentum
We were highly placed in a number of key industry awards in 2015:
– Best Private Bank – Asia for 2015 – *Asian Private Banker*
– Best Provider of Asia Equity-linked Flow Structured Products for 2015 – *Asian Private Banker*
– Best Equity Derivatives House – Asia for the second consecutive year from *The Asset*
– Best Regional Technology, Media and Telecommunications House for the second consecutive year from *The Asset*
– Ranked #1 in in Overall Penetration in Asian Equity Trading and Equity Research, Sales and Corporate Access according to the *2015 Greenwich Survey*
Global markets
Business profile
Global Markets brings together our equity sales and trading and fixed income sales and trading businesses into one division to create a fully integrated franchise for our clients. Global Markets provides a broad range of financial products and services to client-driven businesses and also supports the Group's private banking businesses and their clients, most notably UHNWI. Our suite of equity and fixed income 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
	2015	2014	2013
Key data			
Net revenues (CHF million)	7,391	8,613	8,974
Income/(loss) before taxes (CHF million)	(1,944)	2,657	3,012
Number of employees	13,000	11,900	12,100

Business environment
Operating conditions in 2015 were challenging, particularly for our fixed income businesses, in light of high levels of market volatility, lower client activity, continued uncertainty over interest rates in the major economies, a collapse in energy prices and a subdued global investment climate, particularly in the second half of the year. Uncertainty in the interest rate and credit environment resulted in significantly reduced issuance levels across many asset classes, particularly high yield. In addition, given an evolving regulatory environment, we announced plans to right-size fixed income businesses such as global macro products, with the aim of delivering higher profitability, lower capital usage and lower volatility in earnings across market cycles. Market conditions were more favorable for equity sales and trading businesses as higher volatility resulted in higher trading volumes and strong client activity. Given quantitative easing in many markets and modest increases in gross domestic product in developed economies, we believe equity markets should grow in the medium to long-term, thus benefitting our market-leading franchises.
Business strategy
The Global Markets division combines our equities and fixed income sales and trading platforms in the Americas and EMEA. The division will be focused on three primary strategic goals: prioritizing businesses with connectivity to our private banking clients, optimizing capital usage and increasing profitability by ensuring businesses deliver returns in

excess of their cost of capital. We believe that this strategy will enable us to reduce earnings volatility, inherent in our results historically, and deliver consistent pre-tax income from our leading franchises across market cycles.

In line with the Group strategy, Global Markets will primarily refocus its product portfolio to enhance our private banking businesses. To achieve this, we will continue to invest in franchises that are important to private banking clients, such as cash equities, equity derivatives and the emerging markets group. We intend to grow our structured notes, share-backed lending and structured financing products while also shifting to more stable products that generate recurring revenues. Our goal is to optimize prime services, a key franchise for cash equities, by continuing to reduce capital usage and increase returns and to also refocus offerings to

support UHNWI clients. We believe the repositioned Global Markets division will provide a differentiated platform to our private banking clients by offering simplified access to markets in different geographies, enhanced execution and clearing services and access to structured solutions products. We will also continue to defend and optimize our market-leading securitized products and credit franchises, despite their limited connectivity to the private banking businesses, given that they are expected to continue to drive profits for the Global Markets division.

We also expect to continue downsizing our macro business, primarily by building a capital-efficient and niche franchise in the Americas comprised of foreign exchange and non-cleared swap products. As a result, we have relinquished our European primary dealership and transferred the European rates options and secondary market making in European government bonds into the Strategic Resolution Unit.

Looking forward, we plan to holistically manage our leverage exposures across products with a focus on allocating capital to clients and businesses that are aligned with our objectives. In 2015, we have met both our year-end 2015 targets for risk-weighted assets and leverage exposure, with reported risk-weighted assets of USD 75 billion, compared to a target of approximately USD 83-85 billion, and leverage exposure of USD 317 billion, compared to a target of approximately USD 380 billion. We remain committed to maintaining our announced year-end 2018 capital targets for risk-weighted assets of approximately USD 83-85 billion and leverage exposure of approximately USD 370 billion.

Lastly, we will focus on building a profitable Global Markets franchise by investing in and optimizing our key businesses, with the goal of reducing earnings volatility. We plan to invest exclusively in businesses that exceed their cost of capital by evaluating them using the lower of return on risk-weighted assets or leverage exposure. Additionally, by combining historically separately run equity and fixed income businesses, we are repositioning the division to systematically create synergies across products, which is expected to further increase profitability and returns.

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, 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
	2015	2014	2013
Key data			
Net revenues (CHF million)	1,752	2,106	2,014
Income/(loss) before taxes (CHF million)	(353)	508	581
Number of employees	2,800	2,400	2,400

Business environment

2015 was a challenging year, with volatile market conditions, reflecting increased concerns regarding the pace of global growth, falling energy prices, currency pressures in certain markets and uncertainty in the interest rate and credit environment. The impact of increased volatility was felt industry-wide, reducing our clients' risk appetite and driving declines in debt and equity underwriting activity and fee pools. Our investment banking businesses were affected by the sharp decline in client activity levels in line with the industry.

Despite the slowdown in capital markets activity, M&A remained robust, supported by low financing costs and limited alternatives to drive earnings growth. Large deals were announced across many active sectors as companies sought consolidation and strategic acquisitions, particularly in healthcare, technology, insurance, aerospace & defense, and consumer products. Industry-wide announced M&A activity increased significantly compared to 2014, with volumes outpacing the previous record set in 2007. Credit Suisse advised on USD 795 billion of announced M&A

transaction volume in 2015, up from USD 385 billion in 2014.

Business strategy

Our strategy focuses on leveraging our global structuring and execution expertise to develop innovative financing and advisory solutions for our clients. In October 2015, we announced a new strategy to grow the division through a targeted plan that is designed to generate sustainable, profitable growth and continue delivering returns in excess of our cost of capital. Our growth plan is based on the following key strategic priorities: rebalancing the product mix towards M&A advisory and equity underwriting, optimizing the client coverage footprint and launching a new initiative for UHNWI in the US.

In 2015, we observed market activity begin to pivot away from leveraged finance and towards advisory and equity underwriting as the credit cycle turned. Our goal is to rebalance our product mix to be consistent with this shift in the market by increasing our focus on M&A advisory and equity underwriting with our clients. We expect that refocusing our efforts on these solutions 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 have tailored our client strategy while optimizing our headcount and capital resources in order to deliver efficient and effective client coverage. Our strategic objective is to expand our coverage in high growth areas where our franchise is well-positioned. We expect

to do this with targeted plans for investment grade corporates, non-investment grade corporates and financial sponsors. In addition, to support our clients looking for opportunities in developing economies, we have launched an emerging markets team that will integrate this geographical coverage across all industries and products.
Lastly, as part of the effort to further differentiate and diversify our offerings, we announced a new dedicated coverage group within Investment Banking & Capital Markets to cover UHNWI in the US. We believe this effort targets a meaningful untapped opportunity to cover UHNWI who are decision-makers over an average of USD 1.6 billion in industry-wide investment banking fees each year.
Significant transactions
We executed a number of noteworthy transactions in 2015, reflecting the diversity of our franchise.
– In debt capital markets we arranged key financings for a diverse set of clients including Charter Communications (cable), International Game Technology (gaming), Pharmaceutical Product Development (health care services), Spectrum Brands Holdings (consumer), Chemours Company (chemicals), Altice (cable), Berry Plastics (packaging) and The Coca-Cola Company (beverage).
– In equity capital markets we executed the IPO for Scout 24 Holding (digital marketplace), follow-on and convertible offerings for Teva Pharmaceutical Industries (pharmaceuticals), follow-on offering for Piraeus Bank Group (financial and banking services), equity convertible offering for Anthem (health insurance services), follow-on offering for Columbia Pipeline Group (natural gas pipelines), follow-on offering for Aramark Corporation (food, hospitality and facilities services) and follow-on offering for Newfield Exploration Company (oil and gas exploration and production).
– In M&A we advised on a number of transformational transactions throughout the year, including Dell’s acquisition of EMC Corporation (technology), the sale of Precision Castparts Corp. to Berkshire Hathaway (industrials), NXP Semiconductors’ merger with Freescale Semiconductor (semiconductors), Solvay’s acquisition of Cytec Industries (chemicals), the sale of Cameron International Corporation to Schlumberger (oilfield services), PartnerRe’s sale to EXOR. (reinsurance), Anthem’s acquisition of Cigna Corporation (health insurance services), Lockheed Martin’s acquisition of Sikorsky Aircraft (aerospace) and Canada Pension Plan Investment Board’s acquisition of Antares Capital from GE Capital (financial services).
strategic resolution unit
Business profile
The Strategic Resolution Unit was created to facilitate the immediate right-sizing of our business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from the business divisions. The primary focus of the Strategic Resolution Unit is to facilitate the rapid wind-down of capital and costs in order to reduce the negative impact on the overall Group performance. From a risk-weighted assets (excluding operational risk) and leverage exposure perspective, the Strategic Resolution Unit is expected to wind-down by approximately 70% by year-end 2018. Repositioned as a separate division of the Group, the Strategic Resolution Unit provides clearer accountability, governance and reporting.
Key data – Strategic Resolution Unit

			in / end of
	2015	2014	2013
Key data			
Net revenues (CHF million)	413	1,168	1,630
Loss before taxes (CHF million)	(2,510)	(3,573)	(2,558)
Number of employees	2,100	3,400	3,800

Composition
Our Strategic Resolution Unit contains specific wind-down activities and positions previously reported in the non-strategic units that were part of the former Private Banking & Wealth Management and Investment Banking divisions. These units included activities relating to the repositioning of select onshore private banking businesses, legacy cross-border private banking businesses, activities relating to the restructuring of the former Asset Management division, legacy fixed income portfolios, legacy litigation and legacy funding costs.
Additional transfers from the former Investment Banking division to the Strategic Resolution Unit included certain business exits and selected portfolios to resize our business divisions to our new strategic direction. Specifically, we have effected transfers from our macro, credit, securitized products, emerging markets and equity derivatives

businesses to the Strategic Resolution Unit. From the former Private Banking & Wealth Management division, additional transfers include the US private banking business, select Western European branches and legacy asset management positions.

In addition, the Strategic Resolution Unit now includes an allocation of operational risk capital to establish a clear alignment of operational risk with underlying activities.

The Strategic Resolution Unit, for reporting purposes, is split into the following categories: restructuring of select onshore businesses which contains the onshore repositioning in select Western European countries and the US; legacy cross-border businesses and small markets which include the repositioning of cross-border businesses; restructuring of the former Asset Management division which includes portfolio divestitures and discontinued operations; legacy investment banking portfolios; and legacy funding costs relating to non-Basel III compliant debt instruments.

Noncontrolling interests without significant economic interest are reflected in the Strategic Resolution Unit and include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have non-controlling interests without significant economic interest.

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. We are in compliance with our regulatory requirements in all material respects and in compliance with regulatory capital requirements.

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 2015 and early 2016 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 November 9, 2015, the Financial Stability Board (FSB) issued the final total loss-absorbing capacity (TLAC) standard for global systemically important banks (G-SIBs), which will become effective on January 1, 2019, subject to a phase-in until January 1, 2022. In order for this new standard to become effective, it must be implemented under local law in relevant jurisdictions. 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 will 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 will be at least 16% of a G-SIB’s RWA as of January 1, 2019, and 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, on December 22, 2015, the Swiss Federal Council published its proposed revisions to the Capital Adequacy Ordinance and the Swiss Federal Ordinance on Banks and Savings Banks (Banking Ordinance). The proposal includes requirements for the Swiss G-SIB to hold TLAC of 18.0 – 22.3% of their RWA and of 6.75 – 8.0% of their leverage ratio denominator. The newly recalibrated system leads to total loss-absorbing capacity (including bail-in instruments and including all buffers, except the countercyclical buffer) of 10% of total exposure and of 28.6% of risk-weighted assess for Swiss G-SIBs, subject to rebates. It is expected that the new requirements will become effective as of July 1, 2016. The requirements would be phased-in until the end of 2019, with certain grandfathering rules for existing capital instruments (high-trigger tier 2 and low-trigger tier 1 and tier 2 instruments).

In the US, the Board of Governors of the Federal Reserve System published proposed rules on November 30, 2015 that would implement in the US the FSB’s TLAC standard. The proposed rules would require, among other things, the

US intermediate holding companies (IHC) of non-US G-SIBs, such as Credit Suisse's US IHC, to maintain minimum amounts of "internal" TLAC, which would include minimum levels of tier 1 capital and long-term debt satisfying certain eligibility criteria, and a related TLAC buffer commencing January 1, 2019. Credit Suisse's US IHC would be required to issue all such TLAC instruments to a foreign parent entity (a non-US entity that controls the intermediate holding company). The proposed rules would also impose limitations on the types of financial transactions that Credit Suisse's US IHC could engage in.

In the UK, on December 11, 2015, the Bank of England published for consultation a draft statement of policy on its approach to establishing the requirement under the EU Bank Recovery and Resolution Directive (BRRD) for certain UK entities, including Credit Suisse International (CSI) and Credit Suisse Securities (Europe) Limited (CSSEL), to maintain a minimum requirement

for own funds and eligible liabilities (MREL). 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 draft statement of policy reflects both the TLAC standards and the requirements of the European Banking Authority's (EBA) Regulatory Technical Standards on MREL. It does not propose to set TLAC requirements in addition to MREL. Also on December 11, 2015, the Prudential Regulation Authority (PRA) published a consultation on its supervisory statement on MREL and its relationship to both capital and leverage ratio buffers. Both consultation periods ended on March 11, 2016.

It is expected that other relevant jurisdictions in which Credit Suisse maintains material operations may also implement the internal TLAC aspect of the FSB's TLAC standard.

ISDA Resolution Stay Protocols

On November 12, 2015, the International Swaps and Derivatives Association, Inc. (ISDA) launched a new version of the ISDA Resolution Stay Protocol (Protocol) that expands coverage to certain securities financing transactions (SFT). Twenty-one major global banks, including Credit Suisse, voluntarily adhered to the Protocol at the time of its launch. By adhering to the 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 SFT are subject to statutory stays on cross-default and early termination rights in the event a bank counterparty enters into resolution, regardless of their 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 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. However, these provisions are not effective until certain regulations are introduced in the US.

Although other large banking groups may also adhere to the 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 Protocol. In order to expand the scope of parties and transactions covered by the Protocol or similar contractual arrangements, the G-20 committed to introducing regulations requiring large banking groups to include Protocol-like provisions in certain financial contracts when facing counterparties under foreign laws. Certain G-20 member nations introduced such requirements in 2015, and more are expected to do so in the coming years.

In Switzerland, the Swiss Federal Council introduced amendments to the Banking Ordinance that will require banks, including Credit Suisse, to include terms in their contracts (and in 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 are set forth in the Banking Ordinance since January 1, 2016. The Swiss Financial Market Supervisory Authority FINMA (FINMA) is responsible for determining the appropriate time for complying with this requirement in line with international standards.

In the UK, the 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 of 2009 (UK Banking Act) that would be applicable upon their resolution. UK entities must comply with these rules from June 2016.

Similar requirements are expected to be introduced in the US in 2016.

ISDA is currently in the process of developing another protocol, the ISDA Jurisdictional Modular Protocol that is expected to facilitate market-wide compliance with these newly introduced requirements by both dealers, such as Credit Suisse, and their counterparties.

Supervision

On March 18, 2015, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) announced a nine-month delay (from December 1, 2015 to September 1, 2016) in the start date for margin requirements for non-centrally cleared derivatives, subject to a specified phase-in schedule. These changes have been reflected in the final margin rules in certain key jurisdictions (such as Switzerland, the US, the EU and Canada), although the timing for the publication of those final rules and the ensuing length of time

between final rule publication and the new September 1, 2016 effective date of the margin requirements remain unclear for other jurisdictions. Further delay or a lack of coordination in national rulemaking processes in these other jurisdictions could result in disruption to the derivatives markets and Credit Suisse's derivatives businesses.
Switzerland
As of January 1, 2013, the >>>Basel III framework was implemented in Switzerland along with the Swiss >>>"Too Big to Fail" legislation and regulations thereunder. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be 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 April 29, 2015, the Swiss Federal Council decided to bring the Federal Act on Implementing the Revised Recommendations of 2012 of the Financial Action Task Force into force in two stages. First, the provisions on the transparency of legal entities and bearer shares entered into force on July 1, 2015, introducing new reporting obligations for shareholders of non-listed companies. Second, other provisions, such as expanding the term "politically exposed person", amending the rules on the freezing of assets and introducing new predicate offenses for money laundering, entered into force on January 1, 2016, as they required further implementation.

On June 19, 2015, the Swiss Parliament passed an amendment to the Swiss Federal Act on the Swiss Financial Market Supervisory Authority of June 22, 2007. The amendment provides for an enhanced direct cooperation between entities supervised by FINMA and foreign supervisors as well as foreign agencies performing supervisory functions, and the participation of FINMA in this process to restrict the transfer of information in certain cases. The amendment entered into effect on January 1, 2016.

On June 19, 2015, the Swiss Parliament passed the Financial Market Infrastructure Act (FMIA), which became effective on January 1, 2016. The FMIA contains supervisory law requirements for the operation of financial market infrastructures and provides rules applicable to trading in securities and derivatives for all financial market participants, in particular new derivatives trading rules. The core purpose of the FMIA is to adjust Swiss regulation of financial market infrastructure and derivatives trading to market developments and international requirements, in particular the EU regulation on over-the-counter (OTC) derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation, or EMIR).

On November 4, 2015, the Swiss Federal Council adopted the dispatch on, and drafts of, the Federal Financial Services Act (FFSA) and the Financial Institutions Act (FinIA) and submitted them to the Swiss Parliament. The FFSA will govern the prerequisites for offering financial instruments and providing financial services, including the provision of financial services to Swiss clients from abroad on a cross-border basis. Moreover, the draft FFSA contains uniform rules on prospectus requirements and introduces the requirement to prepare a basic information document for offerings of financial instruments other than shares to retail customers. The draft FinIA provides for a differentiated supervisory regime for financial institutions and introduces supervision of certain categories of asset managers that have previously not been subject to supervision.

On September 25, 2015, the Swiss Parliament adopted amendments to the anti-corruption laws related to public officials. The scope of offenses of granting or accepting an undue advantage will be expanded to include advantages that are granted to a third party related to public officials instead of only to public officials themselves. Additionally, the Swiss Parliament adopted amendments regarding bribery in the private sector which will become a statutory offense under the Swiss Criminal Code instead of being addressed only under unfair competition law.

On December 18, 2015, the Swiss Parliament adopted a federal act on the freezing and restitution of illicitly acquired assets of foreign politically exposed persons. This act reflects Switzerland's current practice in this area. It is subject to a referendum until April 9, 2016. If a referendum is not requested, the Swiss Federal Council will determine the date on which the act will enter into effect.

On January 1, 2016, the Swiss Bankers Association's revised agreement governing the banks' code of conduct with regard to the exercise of due diligence entered into effect. Among other things, the beneficial owner (controlling owner) of operative legal entities and private companies must be identified, subject to certain exceptions.

On January 1, 2016, the revised Anti-Money Laundering Ordinance entered into effect. Among other things, the revised Anti-Money Laundering Ordinance contains more detailed provisions on the new due diligence obligations and reporting duties for traders set out in the Anti-Money Laundering Act.

Tax

Swiss Tax Administrative Assistance Act

On February 1, 2013, the Swiss Tax Administrative Assistance Act entered into force. The act governs administrative assistance in double taxation and international agreements that Switzerland has entered into, which provide for the exchange of information relating to tax matters consistent with Article 26 of the Organization for Economic Cooperation and Development (OECD) Model Tax Convention. Under the act, administrative assistance is no longer prohibited for group requests based on a behavioral pattern, but so-called "fishing expeditions" are expressly prohibited. However, group requests are only permissible with respect to information relating to tax periods from February 1, 2013. On August 1, 2014 an amendment of the Swiss Tax Administrative Act entered into force. The amendment

allows in certain cases that the affected taxpayer be informed after the information has been communicated to the authorities of the requesting country, and the establishment of a special procedure for informing parties affected by a group request. In September 2015, the Swiss Federal Council initiated consultation proceedings on the revision of the Swiss Tax Administrative Assistance Act. The revision provides for an easing of Swiss practices with regard to stolen data. The revised law would allow, under certain circumstances, to respond to requests if a foreign country has obtained the stolen data via normal administrative assistance channels or from public sources. The proposed revision has not yet been approved by the Swiss Parliament.
On January 1, 2016, a new provision of the Swiss Tax Administrative Assistance Ordinance entered into force. The new provision defines the possibility of passing on the costs of international administrative assistance to the person or financial institution concerned.

Swiss-EU savings tax agreement

The European Commission has revoked the EU Savings Directive on the taxation of savings income in the form of interest payments, with effect from January 1, 2017 in the case of Austria, and with effect from January 1, 2016 in the case of all other EU member states. The revocation is subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates. The purpose of the revocation is to prevent overlap between the EU Savings Directive and the new automatic exchange of information (AEOI) regime to be implemented under the Council Directive on Administrative Cooperation in the field of Taxation, as amended by the Amending Cooperation Directive.

Under the Amending Cooperation Directive, member states are required, as of January 1, 2016 (January 1, 2017 in the case of Austria), to provide to the tax authorities of other member states information concerning all relevant financial income including interest, dividends and other similar types of income. Information on account balances, sale proceeds from financial assets and income from certain insurance products is also part of the scope. Member states will start exchanging information automatically for the first time by September 30, 2017 (September 30, 2018 in the case of Austria). The new regime is consistent with the Standard for Automatic Exchange of Financial Account Information in Tax Matters released by the OECD in July 2014 (Global Standard), meaning that tax authorities of member states should be able to use one single format for exchanging information both within and outside the EU.

On May 27, 2015, in connection with the Amending Cooperation Directive, Switzerland and the EU signed an amendment protocol to the 2004 agreement between the EU and Switzerland. If ratified, the amendment protocol would replace the current withholding system implemented by Switzerland and introduce an extended AEOI regime in accordance with the Global Standard beginning in 2018, as well as expand the range of payments covered. The amendment is pending approval by the Swiss Parliament and, subject to approval and an optional referendum, is expected to enter into force on January 1, 2017. Subject to these conditions, the EU and Switzerland intend to collect account data from 2017 and exchange it from 2018 once the necessary Swiss implementing legislation enters into effect.

FATCA

On June 2, 2014, the agreement on cooperation to simplify the implementation of the Foreign Account Tax Compliance Act (FATCA) between Switzerland and the US entered into force. The corresponding implementing act entered into force on June 30, 2014. FATCA implementation in Switzerland is based on Model 2, which means that Swiss financial institutions disclose account details directly to the US tax authority with the consent of the US clients concerned, and that the US has to request data on recalcitrant clients through normal administrative assistance channels. The agreement is expected to reduce the administrative burden for Swiss financial institutions associated with the implementation of FATCA. FATCA requirements entered into force on July 1, 2014. 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 Foreign Financial Institutions (FFIs) in Switzerland to report US accounts to the Swiss authorities, with an AEOI between Swiss and US authorities. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI’s compliance and reporting framework. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

Amendment protocol to the Swiss/Italian tax treaty

On February 23, 2015, Switzerland and Italy signed a protocol of amendment to the double taxation agreement between Switzerland and Italy providing for an exchange of information upon request according to the Global Standard, applicable from the date of signing of the protocol. The protocol also includes a roadmap to enable Italian taxpayers with untaxed accounts in Switzerland to take part in the Italian voluntary disclosure program under the same conditions as those in Italy or other countries before introduction of AEOI. The Swiss Parliament is expected to approve the amendment in the first half of 2016. The amendment is then subject to an optional referendum.

Automatic exchange of information in tax matters

On December 18, 2015, the Swiss Parliament adopted the Federal Act on the International Automatic Exchange of Information in Tax Matters to enable the AEOI and approved the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA). The Federal Act on the International Automatic Exchange of Information in Tax Matters and the MCAA are subject to an optional referendum until April 9, 2016.

Provided that no referendum takes place or that the outcome of the referendum is positive, Switzerland will ratify the MCAA and the Federal Act on the International Automatic Exchange of Information in Tax Matters will enter into force. Subject to the laws entering into force on January 1, 2017, first data will be collected from January 1, 2017 and be exchanged from January 1, 2018.

To date, in addition to the May 27, 2015 amendment protocol between Switzerland and the EU, Switzerland signed joint declarations with Australia, Jersey, Guernsey, Isle of Man, Iceland, Norway, Japan, Canada and South Korea on the introduction of the AEOI in tax matters on a reciprocal basis. Switzerland is negotiating the introduction of the AEOI with other countries with which it has close economic contacts.

On December 18, 2015, the Swiss Parliament approved the Convention on the Mutual Administrative Assistance in Tax Matters signed by Switzerland on October 15, 2013, which is subject to an optional referendum until April 9, 2016.

Final foreign withholding taxes with UK and Austria

Since January 1, 2013, bilateral tax agreements between Switzerland and each of the UK and Austria are in force. The agreements, among other things, require a Swiss paying agent to levy a non-refundable (final) tax at specified rates on interest, dividends and capital gains deriving from assets, including shares of Credit Suisse Group AG, held in accounts or deposits with a Swiss paying agent in respect of individuals residing in the UK or Austria who did not opt for voluntary disclosure of the interest, dividends or capital gains to the tax authority of the country of their residence. The final withholding tax substitutes the UK or Austrian income tax and capital gains tax on such interest, dividends or capital gains, unless the individuals elect for the flat-rate tax withheld to be treated as if it were a credit allowable against the income tax or capital gains tax due for the relevant tax year in the UK or Austria. Subject to the new law on AEOI entering into force on January 1, 2017, Swiss paying agents will not have to apply the final withholding tax regimes from January 1, 2017, as they will have to process the AEOI from that time also for UK and Austrian residents.

Withholding tax reforms

On September 11, 2015, the Swiss Federal Council submitted a legislative bill to the Swiss Parliament proposing to extend the current withholding tax exemption of interest paid on contingent convertible bonds and write-down bonds approved by FINMA and issued between January 1, 2013 and December 31, 2016, to issuances through December 31, 2021, and to also exempt interest paid on TLAC-instruments approved by FINMA and issued between January 1, 2017 and December 31, 2021. The proposal has been adopted by the Swiss Parliament. Subject to a subsequent optional referendum, the new law is expected to enter into effect on January 1, 2017.

On November 4, 2015, the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding tax. This paying agent-based regime is expected to be similar to the one contained in the draft legislation published by the Swiss Federal Council on December 17, 2014, which was withdrawn on June 24, 2015.

Corporate Tax Reform Act III

On June 5, 2015, the Swiss Federal Council submitted the Corporate Tax Reform Act III to the Swiss Parliament. The act aims at strengthening the Swiss tax system in light of the abolition of cantonal tax privileges for holding companies, mixed companies and domicile companies by, among other things, introducing a patent box, increased deductions for research and development expenditures, step-up of assets, reduced capital taxes and abolition of issue stamp tax on equity capital. Additional measures by certain cantons include lowering the corporate income tax rates to 12.5% or a similar range. The act is currently being deliberated by the Swiss Parliament. In the deliberations it was proposed to additionally introduce a notional interest deduction. The new rules are expected to enter into force in 2019.

Resolution regime

On January 1, 2016, the amendment to the Bank Law entered into effect. The amendment extends FINMA's existing bank resolution powers to Swiss domiciled parent companies of financial groups and certain other unregulated Swiss-domiciled companies belonging to financial groups, and extends FINMA's power to stay termination or termination rights, among others, linked to resolution measures to cover all contracts. The Bank Law is currently subject to proposed amendments by the annex to the FinIA. These amendments would introduce a new notification requirement prior to a Swiss bank's acquisition of a qualified participation in a foreign entity and revise the bank resolution regime. The proposed revisions to the bank resolution regime include (i) eliminating the requirement for a bail-in to be a means of last resort to avoid insolvency, providing for subordination of TLAC instruments to senior bonds and other unsubordinated claims in restructuring proceedings (including any related bail-in), and (ii) an automatic suspension of voting rights of shares in a Swiss bank or bank holding company acquired in connection with the conversion of debt into shares as a result of a bail-in if those shares exceed 10% of such bank or bank holding company's total voting rights, with such suspension continuing until FINMA has decided that such a participation is not to the detriment of the bank or bank holding company.

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 detailed rulemaking by different regulators, including the US Department of the Treasury (US Treasury), the US Federal Reserve (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 final details.

Supervision

On August 5, 2014, the Fed and the FDIC announced the completion of their review of our 2013 US resolution plan and the 2013 plans of the 10 other “first wave” filers. The Fed and FDIC released a joint statement indicating that the Fed and FDIC had identified shortcomings in the plans and that the Fed and FDIC expect “first wave” filers, including us, to demonstrate that they are making significant progress to address those shortcomings in their 2015 resolution plans. We reviewed the specific comments the Fed and FDIC provided and sought to address their comments in our most recent resolution plan, which was submitted by the July 1, 2015 deadline.

On March 4, 2016, the Fed proposed rules that would impose single-counterparty credit limits on large bank holding companies and foreign banking organizations. The proposed rule would limit the credit exposure of our IHC and of our combined US operations (including Credit Suisse AG's New York Branch (New York Branch)) to any single counterparty, based on eligible capital held at the IHC or the Group, respectively. The proposed rule would apply a more stringent standard for credit exposures to major counterparties, including other G-SIBs.

> 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.

Derivative regulation

Security-based swap regulation

On February 11, 2015, the SEC published two final rules and one proposed rule relating to the reporting and public dissemination of security-based swap (SBS) transaction data. These rules create a reporting regime for SBS that is generally similar to the reporting regime that the CFTC has already created for swaps pursuant to requirements in the Dodd-Frank Act. In certain areas, however, differences between the SEC's and CFTC's reporting rules could result in additional implementation costs. Also, the SEC has not yet finalized key aspects of its SBS reporting regime, such as the treatment of block trades, cleared transactions and certain cross-border issues. Compliance with the SBS reporting rules by Credit Suisse will not be required until after the SEC adopts final compliance dates and the first SBS data repositories are registered with the SEC, which may occur later in 2016.

On April 29, 2015, the SEC proposed rules that would apply certain SEC registration, reporting and business conduct requirements to a SBS between a non-US SBS dealer, such as CSI or CSSEL, and another non-US person if the SBS was arranged, negotiated or executed by US personnel acting on behalf of the non-US SBS dealer. On February 10, 2016, the SEC finalized the aspect of this proposal relating to registration requirements, but it has not yet finalized aspects of the proposal relating to reporting or business conduct. These final rules could expand the scope of non-US Credit Suisse entities potentially subject to registration with the SEC beyond CSI and CSSEL. In addition, if the SEC adopts similar final rules for reporting and business conduct, these rules could deter non-US counterparties from interacting with our US personnel. Mitigating these issues could require us to reorganize our front office functions accordingly, which could impede effective risk management and market making activities in SBS based on US companies. These rules also could cause us to incur significant additional costs in order to modify our compliance infrastructure and controls.

On August 5, 2015, the SEC adopted final rules relating to the process for SBS dealers and major SBS participants to register with the SEC. In addition to addressing the registration process, the final rules contain additional requirements for non-US SBS dealers, such as CSI or CSSEL, and major SBS participants that are intended to promote the ability of the SEC to obtain access to books and records and conduct examinations. We are reviewing these requirements to determine whether they will necessitate any changes in how Credit Suisse conducts its SBS business with US persons or involving US-located Credit Suisse personnel. Compliance with the final rules will not be required until after the SEC completes several other rulemakings relating to SBS dealers and major SBS participants.

Margin requirements

On October 22 and 30, 2015, US banking regulators adopted final margin rules for non-cleared swaps and security-based swaps entered into by swap dealers, SBS dealers, major swap participants and major SBS participants that are banks, which include CSI. Likewise, on December 16, 2015, the CFTC adopted final margin rules for non-cleared swaps (but not security-based swaps) entered into by swap dealers and major swap participants that are not banks, which include CSSEL. Under these rules, CSI and CSSEL will be required to collect and post initial and variation margin for the relevant types of swaps and prohibited from re-using initial margin. These margin requirements will be significantly higher than current market practice, which could adversely affect CSI's and CSSEL's derivatives sales and trading businesses by increasing the cost of and reducing demand for non-cleared swaps and SBS. Moreover, calculation of initial margin by use of margin models is available only if the applicable regulators have approved CSI and CSSEL's margin models. Any delay in receiving margin model approval following the effective date of the margin requirement will mean that CSI and CSSEL will be required to calculate initial margin using the standardized method, which will significantly increase the cost of initial margin on such uncleared swaps and make CSI and CSSEL less competitive in the uncleared swaps market against other swap dealers who have received initial margin model approval. Further, the application of these new margin requirements will apply not only

to new swaps executed after the effective date of the rules, but also to amendments and transfers of existing swaps, that would otherwise be grandfathered. The fact that amendments and transfers of existing swaps may subject our counterparties to higher margin requirements may cause such counterparties to not consent to amendments and transfers that we may request, which may have adverse impacts on Credit Suisse.

Although the US margin rules are generally consistent with margin rules proposed in the EU, differences in the scope of products and entities covered by the rules, and limits on the eligibility of CSI and CSSEL to satisfy US rules through "substituted compliance" with EU rules, could impair the ability of CSI and CSSEL to engage effectively in cross-border derivatives activities, especially in the inter-dealer market. Availability of substituted compliance (whether partially or in full) will depend on a further rulemaking by the CFTC to implement a June 29, 2015 proposal addressing cross-border application of the CFTC margin requirements for non-cleared swaps, as well as future comparability determinations by the CFTC and US banking regulators. These determinations

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may impose limits on the extent to which non-US swap dealers, including CSI and CSSEL, could rely on comparable EU rules in lieu of US rules.
The US rules will follow a phased implementation schedule, with (i) variation margin requirements coming into effect on September 1, 2016 for trading among the most significant market participants and March 1, 2017 for other covered entities, and (ii) initial margin requirements phasing in annually for different counterparties from September 1, 2016 until September 1, 2020, depending on the notional derivatives exposure of the counterparty and its affiliates during the preceding March, April and May and applying first to trading among the most significant market participants. As a result, these rules will begin to apply to CSI and CSSEL on September 1, 2016 for our trading with other large, globally active swap dealers, and then will phase-in over 2016-2020 for our trading with less active counterparties.
CFTC no-action relief
On August 13, 2015, the CFTC issued a no-action letter that extends from September 30, 2015 until September 30, 2016 the expiration date for relief from a staff advisory stating that CFTC “transaction-level” requirements, such as mandatory clearing, mandatory exchange trading, real-time public reporting and external business conduct, apply to a swap between a non-US swap dealer, such as CSI or CSSEL, and another non-US person if the swap is arranged, negotiated or executed by US personnel or agents of the non-US swap dealer.
On November 9, 2015, the CFTC issued a no-action letter that extends from December 1, 2015 until December 1, 2016 the expiration date for relief from a requirement that certain non-US swap dealers, including CSI and CSSEL, report information about their swaps with non-US counterparties to a US data repository.
Expiration of either 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 once effective.
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 and rule making processes, and their final form and cumulative impact remain uncertain.
Supervision
On August 30, 2015, the European Securities and Markets Authority (ESMA) concluded that there are no obstacles to extending the passporting regime under the Alternative Investment Fund Managers Directive to jurisdictions such as Guernsey, Jersey or Switzerland provided that, in relation to Switzerland, certain amendments are made to the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA). Such passporting regime allows authorized alternative investment fund managers to market alternative investment funds to professional investors throughout the EU. The ESMA reached no definitive views on extending such passport regime in relation to Hong Kong, Singapore and the US.
On December 9, 2015, the European Commission approved a compromise agreed with the European Parliament on new rules aimed at ensuring greater accuracy and integrity of benchmarks in financial instruments. The new benchmark regulation will govern the activities of benchmark administrators and submitters, including by means of a legally-binding code of conduct for contributors of data. Stricter rules will apply to critical benchmarks, such as those used as a reference for financial instruments or financial contracts or for the determination of the performance of certain investment funds. Certain restrictions and rules introduced by the benchmark regulation will apply to Credit Suisse in its capacity as benchmark user and contributor. It is expected that the benchmark regulation will officially enter into force during the course of 2016 and will become applicable from 2017 onwards.
On December 14, 2015, the EBA published its final guidelines on limits on exposures to shadow banking entities that carry out banking activities outside the regulated framework of the Capital Requirements Regulation. The guidelines will apply from January 1, 2017 and, along with a new definition for shadow banking, they explain the methodology that should be used by institutions, as part of their internal policies and procedures, for managing concentration risk arising from exposure to shadow banking entities.
On December 16, 2015, the Financial Conduct Authority (FCA) and the PRA published policy statements relating to the new accountability regime for UK branches of foreign banks, which consists of the senior managers regime, the certification regime and the conduct rules. Final rules are introduced to create the new accountability framework for

individuals working in UK branches of overseas banks that are authorized to accept deposits or deal in investments as principal in the UK. The new regime is aimed at ensuring greater individual accountability in the banking sector.

On January 12, 2016, the revised Payment Services Directive (PSD2) came into force. PSD2 updates the current framework on payment services, extending its scope to payment service providers that were previously unregulated, and improving the transparency and security of payment services. PSD2 will apply to payment services provided in the EU either where (i) both the payer's and the payee's payment service provider are located in the EU, or (ii) where only one payment service provider is located in the EU. The PSD2 will also regulate two new payment services relating to the provision of payment initiation and account information services. EU member states must transpose PSD2 into their national legislation by January 13, 2018.

Derivative regulation

On November 13, 2015, the European Commission announced that it had determined five countries to have the equivalent regulatory regimes for central counterparties as the EU, namely Switzerland, Canada, Mexico, South Africa and South Korea. On February 10, 2016, the European Commission published a statement setting out the agreed approach with the CFTC regarding the requirements for transatlantic central counterparties (CCPs). The agreement reached between the European Commission and the CFTC is intended to facilitate the EU CCPs' ability to operate in the US, as well as the US CCPs' ability to provide services to EU companies. The European Commission's equivalence decision under EMIR with respect to CFTC requirements for US CCPs was adopted on March 15, 2016 and published in the EU Official Journal on March 16, 2016. The equivalence decision will enter into force on April 5, 2016 paving the way for the recognition by ESMA of CFTC-registered US CCPs whose internal rules and procedures meet the conditions set out in the decision. The CFTC has adopted on March 16, 2016 a substituted compliance framework for dually-registered EU CCPs, together with a comparability determination with respect to certain EU CCP requirements and a no-action letter providing limited relief from the application of CFTC requirements to certain aspects of a derivatives clearing organization (DCO)/CCP's non-US clearing activities, which became effective immediately upon the determination's publication in the Federal Register on March 22, 2016.

On December 21, 2015, the European Commission Delegated Regulation concerning the regulatory technical standards on the clearing obligation for certain classes of interest rate OTC derivatives under EMIR entered into force. The regulation governs certain interest rate swaps such as basis swaps, fixed-to-float interest rate swaps, forward rate agreements and overnight index swaps. It recognizes the fact that different types of counterparties need different periods of time for making arrangements to clear the interest rate OTC derivatives subject to the clearing obligation. Accordingly, the implementation dates for these clearing obligations range from June 21, 2016 to December 21, 2018 with the frontloading obligation coming into effect for the largest market participants in respect of contracts entered into or novated on or after February 21, 2016. EMIR margin requirements for non-cleared OTC derivatives will come into effect on September 1, 2016.

On March 8, 2016 the EBA, the ESMA and the European Insurance and Occupational Pensions Authority (EIOPA) published draft final implementing rules requiring the two-way exchange of initial and variation margin for non-centrally cleared OTC derivatives, which are consistent with the international standards adopted by the BCBS and the IOSCO. Other third country jurisdictions (e.g. U.S, Japan, Hong Kong, Singapore) are also implementing the BCBS/IOSCO international standards, and the extent to which the EU and other third country regulators will recognize each other's rules remains unclear. The resulting potential for conflicting and/or duplicative rules may increase the cost of trading non-centrally cleared OTC derivative contracts. Once finalized through adoption by the European Commission and referral to the European Parliament and the European Council, the rules will come into effect following a phased implementation schedule that is consistent with the BCBS/IOSCO schedule. Accordingly, the application of the final EU margin rules will become effective on September 1, 2016 for our trading of in-scope non-cleared OTC derivative contracts with other large, globally active swap dealers, and will be phased-in over 2016-2020 for our trading with other affected smaller derivatives market participants.

On January 12, 2016, the regulation on transparency of securities financing transactions entered into force with certain provisions applying from that date and other provisions being phased-in. The regulation requires that counterparties to securities financing transactions report the details of any securities financing transactions to a trade repository and allows them to reuse financial instruments received as collateral subject to certain conditions.

Market abuse

On January 7, 2016, the European Commission Implementing Directive on reporting to competent authorities actual or potential infringements of the EU Market Abuse Regulation (MAR) entered into force and must be transposed by EU member states into national law by July 3, 2016. MAR requires EU member states to ensure that competent authorities establish mechanisms to enable infringements of MAR to be reported to the authorities. Different communication channels will be implemented by the competent authorities and adequate protection will be provided to whistle-blowers against retaliation, discrimination or any other type of unfair treatment from their employers.

Tax

11 EU member states have taken forward a proposal for a common financial transaction tax (FTT) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (participating member states). If approved in the proposed form, the tax would apply to a wide range of financial transactions, including

minimum rates of 0.01% for derivative products and 0.1% for other financial instruments. Generally, the proposed tax would apply to certain financial transactions where at least one party is a financial institution, and at least one party is established in a participating member state. The FTT proposal remains subject to negotiation among the participating member states and the legality of the proposal is uncertain (it will require unanimous agreement of at least nine member states to become effective). Additional EU member states may decide to participate and/or certain of the participating member states may decide to withdraw. Where a participating member state already has a financial transaction tax in place, such as France and Italy, the FTT would be expected to replace those existing national FTT regimes. In December 2015, a joint statement was issued by the participating member states (other than Estonia), indicating an intention to make decisions on the remaining open issues by the end of June 2016. If the FTT is implemented as proposed, certain transactions carried out by Credit Suisse institutions in participating member states, or by

Credit Suisse entities with a party established in a participating member state, will be subject to the tax.
UK
Resolution regime
With effect from January 1, 2015, changes have been made primarily to the UK Banking Act, the Financial Services and Markets Act 2000 (FSMA) and the Insolvency Act 1986 in order to reflect the BRRD requirements in relation to the recovery and resolution regime. Extensive changes were made to the special resolution regime (SRR) through the UK Banking Act to cover matters related to the special resolution objectives, the conditions for triggering the SRR, the asset separation tool, the government's stabilization options and the write down of capital instruments, as well as the implementation of the bail-in tool. Furthermore, as a result of the changes introduced by the BRRD, the Bank of England, the PRA and the FCA have been granted additional powers to manage the recovery and resolution process of the relevant credit institutions subject to this regime.
On November 13, 2015, the PRA set out final rules on contractual stays in financial contracts governed by third-country law. The purpose of the rules is to ensure that resolution action taken in relation to a relevant firm would not immediately lead to the early termination of those of its financial arrangements governed by third-country law, while similar financial arrangements governed by the laws of the UK or another EU jurisdiction are stayed. These rules apply to counterparties of UK firms, PRA-authorized banks, and to credit institutions and financial institutions that are subsidiaries of PRA-authorized banks. The rules will come into effect on June 1, 2016.
Regulatory framework
The principal regulatory structures that apply to our operations are discussed below.
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, 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 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 as a systemically relevant bank.
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.
Swiss banks are subject to the >>>Basel III framework and the Swiss "Too Big to Fail" legislation and regulations thereunder, 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.

Since January 1, 2010, compensation design and its implementation and disclosure must comply with standards promulgated by FINMA under its Circular on Remuneration Schemes.

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.

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.

Resolution regime

The Banking Insolvency Ordinance-FINMA (the Banking Insolvency Ordinance) governs resolution (i.e., restructuring or liquidation) procedures of Swiss banks and securities dealers, such as Credit Suisse 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 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 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 or since January 1, 2016 Credit Suisse Group AG, it would have discretion to take decisive actions, including (i) transferring the assets of the bank 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 bank or Credit Suisse Group AG, as applicable, is a party, (iii) converting the debt of the bank 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 bank 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 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 Banking Insolvency Ordinance. Contingent liabilities of Credit Suisse 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 and Credit Suisse Group AG, creditors have no right to reject the restructuring plan approved by FINMA.

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 State Department of Financial Services, 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, would 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 FSOC and the Fed may adopt 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 by financial holding companies could also be adversely affected.

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 foreign banking organization 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 certain investments and relationships with private equity funds and hedge funds that were in place prior to December 31, 2013, for which the Fed has extended the compliance deadline to July 21, 2016 and indicated its intention to grant a further one-year extension to July 21, 2017. Credit Suisse implemented a Volcker Rule compliance program reasonably designed to satisfy the requirements of the Volcker Rule by the July 21, 2015 deadline. The Volcker Rule's implementing regulations are highly complex and may be subject to further regulatory interpretation and guidance, and its full impact will not be known with certainty for some time.

Fed regulations implementing the Dodd-Frank Act require Credit Suisse to create a single US IHC to hold substantially all of its US subsidiaries with limited exceptions by July 1, 2016. The IHC requirement does not apply to the New York Branch. The IHC will be 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. The IHC may become subject to additional requirements under the Fed's

proposed TLAC framework for IHCs, described above. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the 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 the IHC and the New York Branch, and stress testing. Under proposals that remain under consideration, the IHC and the combined US operations of Credit Suisse may become subject to limits on credit exposures to any single counterparty, and the combined US operations of Credit Suisse may also 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 LCR to the US operations of certain large foreign banking organizations.

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.
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. Our US broker-dealers are also subject to the 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 the Employee Retirement Income Security Act of 1974 and similar state statutes.
The Dodd-Frank Act grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers and expands the extraterritorial jurisdiction of US courts over actions brought by the SEC or the US with respect to violations of the antifraud provisions in the Securities Act of 1933, Securities Exchange Act of 1934 and Investment Advisers Act of 1940. It 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 and commodity trading advisors. With the effectiveness of the Dodd-Frank Act, these CFTC registration categories have been expanded to include persons engaging in a relevant activity with respect to swaps, and new registration categories have been added for swap dealers and major swap participants. For futures and swap activities, these CFTC registrants are subject to futures industry self-regulatory organizations such as the National Futures Association (NFA).
Each of CSI and CSSEL is registered with the CFTC as a swap dealer as a result of its swap activities with US persons and is therefore subject to requirements relating to reporting, record-keeping, swap confirmation, swap portfolio reconciliation and compression, mandatory clearing, mandatory exchange-trading, swap trading relationship documentation, external business conduct, risk management, chief compliance officer duties and reports, internal controls, and margin requirements. It is anticipated that the CFTC will in 2016 or 2017 finalize rules related to capital

requirements and position limits, as well as potentially expand the scope of its mandatory clearing and exchange-trading requirements to cover certain types of foreign exchange transactions.

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.

In addition, we expect the SEC to finalize some of its rules implementing the derivatives provisions of the Dodd-Frank Act during 2016. 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. In particular, 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.

FATCA

FATCA became law in the US on March 18, 2010. The legislation requires FFIs (such as Credit Suisse) to enter into an FFI agreement and agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and certain US-owned foreign entities, or otherwise face 30% withholding tax on withholdable payments. In addition, FFIs that have entered into an FFI agreement will be required to withhold on such payments made to FFIs that have not entered into an FFI agreement, account holders who fail to provide sufficient information to classify an account as a US or non-US account, and US account holders who do not agree to the FFI reporting their account to the IRS. Switzerland and the US entered into a "Model 2" intergovernmental agreement to implement the reporting and withholding tax provisions of FATCA that became effective on June 2, 2014. FATCA requirements entered into force on July 1, 2014. The intergovernmental agreement enables FFIs in Switzerland to comply with FATCA while remaining in compliance with Swiss law. Under the agreement, 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 the FFI. 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, with an AEOI between Swiss and US authorities. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI's compliance and reporting framework. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

Resolution regime

The Dodd-Frank Act also establishes an "Orderly Liquidation Authority", a new 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 qualified financial contracts, 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 Fed and the FDIC require bank holding companies with total consolidated assets of USD 50 billion or more, such as us, and certain designated non-bank financial firms to submit annually 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.

EU

Financial services regulation and supervision

Since it was announced in 1999, the EU's Financial Services Action Plan has given rise to numerous measures (both 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: the EBA, the ESMA and the EIOPA.

The Capital Requirements Directive IV and Capital Requirements Regulation (CRD IV) came into force on January 1, 2014. The CRD IV package implemented in various EU countries, including the UK, the Basel III capital framework for banking groups operating in the EU. CRD IV wholly replaced the current Capital Requirements Directive, which implemented the Basel II capital framework. CRD IV creates a single prudential rule book for banks, introduces new corporate governance and certain new remuneration requirements, including a cap on variable remuneration, and enhances the powers of regulators.

The existing Markets in Financial Instruments Directive (MiFID I) establishes high-level organizational and business conduct standards that apply to all investment firms. These include standards for managing conflicts of interest, best

execution, enhanced investor protection, including client classification, and the requirement to assess suitability and appropriateness in providing investment services to clients. MiFID I sets standards for regulated markets (i.e., exchanges) and multilateral trading facilities, and sets out pre-trade and post-trade price transparency requirements for equity trading. MiFID I also sets standards for the disclosure of fees and other payments received from or paid to third parties in relation to investment advice and services and regulates investment services relating to commodity derivatives. In relation to these and other EU-based investment services and activities, MiFID I introduced a "passport" for investment firms, enabling them to conduct cross-border activities and establish branches throughout the EU on the basis of authorization from their home state regulator. MiFID I will be significantly reformed by the Revised Markets in Financial Instruments Directive (MiFID II) and the Markets in Financial Instruments Regulation (MIFIR), which entered into force on July 2, 2014. The European Commission has recently proposed a one-year extension to the application date of MiFID II and MiFIR from January 3, 2017 to January 3, 2018. Such changes

include the creation of a new category of trading venue, that is, the organized trading facility; measures to direct more trading onto regulated trading venues such as regulated markets, multilateral trading facilities and organized trading facilities; and an extension of pre and post-trade transparency requirements to equity-like fixed income and derivative financial instruments. There will also be new safeguards introduced for high frequency and algorithmic trading activities, requiring the authorization of firms engaging in such trading activities and the proper supervision of high frequency and algorithmic traders. These safeguards are intended to guard against the possible market distortion that high frequency and algorithmic trading could bring about. ESMA provided technical advice to the European Commission on the possible content of the delegated acts required by several provisions of MiFID II and MIFIR in December 2014. The final report on the draft implementing technical standards under MiFID II was published on December 11, 2015. The final report on the draft regulatory and implementing technical standards MiFID II/MiFIR was published on September 28, 2015.

The Single Supervisory Mechanism Framework Regulation has entered into force and it empowers the European Central Bank (ECB) to act as a single supervisor for banks in the 17 Eurozone countries and for certain non-Eurozone countries which may choose to participate in the Single Supervisory Mechanism. The ECB assumed its prudential supervisory duties on November 4, 2014.

The Fourth EU Anti-Money Laundering Directive entered into force on June 25, 2015 and must be transposed by member states by June 26, 2017. The forthcoming regime introduces a series of reforms, including updated and refined requirements relating to the information that a financial institution must obtain and hold relating to the beneficial ownership of its customers. The information on beneficial ownership must also be held in a central register, accessible to firms conducting due diligence on their clients, member states' national competent authorities, financial intelligence units, and other bodies which can demonstrate a "legitimate interest" in relation to money laundering and terrorist financing.

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, sets out a new suite of bank resolution tools, including bail-in, and establishes country specific bank resolution financing arrangements. In addition, 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 it to restore its 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 from 2016, although these requirements will be phased in with fully loaded requirements from 2019/20 onwards This requirement is known as the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), and is conceptually similar to the TLAC framework. The deadline for transposing the directive into member states' law and regulation was December 31, 2014 and national authorities were obligated to apply the provisions of the BRRD (with the exception of the bail-in tool) by January 1, 2015. The European Commission is considering whether the MREL framework can be used to apply TLAC in the EU, or whether new primary legislation is needed.

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, establishes 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.

UK

Banking regulation and supervision

The Financial Services Authority (FSA) was the principal statutory regulator of financial services activity in the UK, deriving its powers from the FSMA. In April 2013, the FSA was replaced by: the PRA, a subsidiary of the Bank of England, which is responsible for the micro-prudential regulation of banks and larger investment firms and the 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 was established as 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 includes suitability and the

requirement for the firm to be fit and proper. In addition to regulation by the PRA, certain wholesale money markets activities are subject to the Non-Investment Products Code, a voluntary code of conduct published by the Bank of England which PRA-regulated firms are expected to follow when conducting wholesale money market business.
Our London Branch will be required to continue 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 the CRD.
With effect from January 1, 2014, CRD IV has replaced the previous CRD with new measures implementing Basel III and other requirements. Compliance with these requirements will include receiving approval by the PRA of certain models with respect to regulatory capital requirements of our UK subsidiaries.
The PRA has implemented the requirements of CRD IV 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, provides for the creation of a "retail ring-fence" that will prohibit large retail deposit banks from carrying out a broad range of investment and other banking activities in the same entity. The Banking Reform Act has been implemented by secondary legislation. Banks are expected to be required to comply with the ring-fencing requirements by 2019. However, it is expected that our private banking businesses in the UK may benefit from the de minimis exemption from the retail ring-fence requirements which is anticipated to exclude certain banks that hold core deposits of below GBP 25 billion. The Banking Reform Act also introduces certain other reforms, including requirements for primary loss absorbing capacity in order to facilitate the use of the new bail-in tool, which is itself introduced by the Banking Reform Act. The Banking Reform Act will also establish a more stringent regulatory regime for senior managers and specified risk takers in a bank or PRA authorized investment firm, as well as create a new criminal offense for reckless mismanagement leading to the failure of a firm. The governance rules and the bail-in tool will 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 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.
Tax
The UK has recently introduced changes to the taxation regime applicable to companies carrying on banking activities. In the Finance Act 2015, the UK introduced a restriction on the extent to which certain banking companies can use historic losses (meaning losses incurred prior to April 1, 2015) to offset profits for tax purposes. This loss relief restriction may be relevant to certain Credit Suisse UK entities, or to Credit Suisse entities with UK branches.
Pursuant to the Finance (No. 2) Act 2015, a new tax "surcharge" of 8% now applies to the taxable profits of certain banking companies for UK corporation tax purposes, where such profits arise on or after January 1, 2016. For the purposes of the surcharge, no relief is given for historic losses (meaning, in this case, losses incurred prior to January 1, 2016). As part of the same package of legislative measures, the rate of the UK's existing bank levy attributable to the UK operations of large banks was reduced on January 1, 2016 and will be reduced further in each of the next five years.
The new tax surcharge and changes to the bank levy may be relevant to certain Credit Suisse UK entities, or to Credit Suisse entities with UK branches.
Resolution regime

The UK legislation related to the recovery and resolution of credit institutions such as Credit Suisse consists of the SRR, the PRA recovery and resolution framework and the FCA recovery and resolution requirements. 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 or sell our assets, and we expect our liquidity costs to increase

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 or the banking sector, 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 additional costs as a result of regulatory requirements for increased liquidity and the continued challenging economic environment in Europe, the US and elsewhere.

If we are unable to raise needed funds in the capital markets (including through offerings of equity 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 that pose systemic risk would receive government or central bank support in a financial or credit crisis, and on such firms’ potential vulnerability to market sentiment and confidence, particularly during periods of severe economic stress. For example, in February 2015 Standard & Poor’s lowered its long-term credit ratings of several European banks, including Credit Suisse Group AG, by one notch, and in January 2016 Moody’s lowered its long-term credit ratings of Credit Suisse AG by one notch. Any downgrades in our assigned ratings, including in particular our credit 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 longer-term 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 new strategy in 2015, 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 are subject to the risk of loss from adverse market conditions and unfavorable economic, monetary, political, legal and other developments in the countries we operate in around the world

As a global financial services company, our businesses are materially affected by conditions in the financial markets and economic conditions generally 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, significantly higher market volatility, low commodity prices, particularly the recent significant decrease in energy prices, and concerns over emerging markets, in particular slower economic growth in China, have recently affected financial markets. 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 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. For example, sanctions have been imposed on certain individuals and companies in Russia due to the conflict in the Ukraine. In addition, events in Greece have led to concerns about its economic and financial stability and the effects that it could have on the eurozone. Continued concern about European economies, including the refugee crisis and uncertainty related to the upcoming UK referendum on withdrawal from the EU, could cause disruptions in market conditions in Europe and around the world. 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 over European stagnation and Greece's position in the eurozone 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, and future changes in interest rates, including 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 super-national, 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 or 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, particularly in our macro businesses. 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 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, 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, 2015, our real estate loans as reported to the SNB totaled approximately CHF 143 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 >>>commercial mortgage-backed securities 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 and "Note 1 – Summary of significant accounting policies", "Note 10 – Provision for credit losses" and "Note 19 – Loans, allowance for loan losses and credit quality" in V – 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 a large financial institution 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 with significant exposure to the eurozone, continued in 2015 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 upon 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 fail to receive full information with respect to the credit or trading risks of a counterparty.
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. Our ability to implement our new 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 targets, anticipated interest rates and central bank action. If any of these assumptions (including but not limited to our ability to meet certain 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 objectives, keep related restructuring charges within the limits currently expected and retain key employees. Factors beyond our control, including but not limited to the market and economic conditions, changes in laws, rules or regulations, execution risk related to the implementation of our new 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. The breadth of the changes that we announced increases the execution risk of our new strategy as we seek to change the strategic direction of the Group while also embarking on a reorganization of the Group’s business divisions. If we are unable to implement this 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 “Information on the Company” for further information on our new 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 cost savings, which may or may not be successful. We have announced our intention to conduct an initial public offering by the end of 2017 currently estimated to be between 20% and 30% of the legal entity Credit Suisse (Schweiz) AG. There is no guarantee that we will be able to conduct such an initial public offering by such time, in such form 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 as part of our strategy 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. Our results for the fourth quarter of 2015 included a goodwill impairment charge of CHF 3,797 million, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. We continue to have a significant amount of goodwill relating to this 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 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.

We have announced a program to evolve our legal entity structure and cannot predict its final form or potential effects

In 2013, we announced key components of our program to evolve our legal entity structure. The execution of the program evolving the Group's legal entity structure to meet developing and future regulatory requirements has continued to progress and we have reached a number of significant milestones over the course of the year. This program remains subject to a number of uncertainties that may affect its feasibility, scope and timing. In addition, 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 will require significant time and resources and may potentially increase operational, capital, funding and tax costs as well as our counterparties' credit risk.

> Refer to "Evolution of legal entity structure" in II – Operating and financial review – Credit Suisse for further information on our legal entity structure.

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 V – 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, off-balance sheet and other contractual obligations 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

A key element of our new strategy is to scale up our private banking businesses in emerging market countries. Our implementation of that strategy will necessarily increase our already 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, in particular China and Brazil during 2015, have experienced and may continue to experience severe economic and financial disruptions or slower economic growth than in prior years. 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. Despite some weakening, the Swiss franc remained strong against the US dollar and euro in 2015.
In addition, on January 15, 2015, the SNB decided to discontinue the minimum exchange rate of CHF 1.20 per euro. 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 information technology risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and 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 in transactions not being properly recorded or accounted for. Regulatory requirements in this area 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.

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, and the increasing sophistication of cyber-attacks, a cyber-attack could occur without detection for an extended period of time. In addition, we expect that any investigation of a cyber-attack 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.

If any of our systems do not operate properly or are compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact, we could be subject to litigation or suffer financial loss not covered by insurance, a disruption of our businesses, liability to our clients, 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 suffer losses due to employee misconduct

Our businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of traders performing unauthorized trades or other employees. 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 V – 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.
> Refer to “Critical accounting estimates” in II – Operating and financial review and “Note 1 – Summary of significant accounting policies” in V – 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. These regulations often serve to limit our activities, including through the application of increased capital, leverage and liquidity requirements, 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 potentially 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, inject capital into or otherwise change our operations or the structure of our subsidiaries and 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 affecting our ability to conduct certain businesses, 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, together with more stringent requirements imposed by the Swiss >>>“Too Big To Fail” legislation and its implementing ordinances and related 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. New CFTC and SEC rules could materially increase the operating costs, including 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. Although the final impact of the new rule cannot be fully predicted at this time, it is expected to result in our incurring additional costs and to affect the way we conduct our business in the US, including by requiring us to create a single US intermediate holding company. Similarly, already enacted and possible future cross-border tax regulation with extraterritorial effect, such as the US Foreign Account Tax Compliance Act, bilateral tax treaties, such as Switzerland’s treaties with the UK and Austria, 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. Additionally, implementation of EMIR and its Swiss equivalent, FMIA, CRD IV and the proposed revisions to MiFID II may negatively affect our business activities. If Switzerland does not pass legislation that is deemed equivalent to MiFID II in a timely manner or if Swiss regulation already passed is not deemed equivalent to EMIR, Swiss banks, including us, may be limited from participating in businesses regulated by such laws. Finally, we expect that new or expected TLAC requirements, which are being finalized in many jurisdictions including Switzerland, the UK and the US, may

increase our cost of funding and may restrict our ability to deploy capital and liquidity on a global basis as needed.
We expect the financial services industry, including us, to continue to be affected by the significant uncertainty over the scope and content of regulatory reform in 2016 and beyond. 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 revise their previous guidance or courts overturn previous rulings. 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, and, since January 1, 2016, to a Swiss parent company of a financial group, such as Credit Suisse Group AG. These broad powers include the power to cancel Credit Suisse AG’s or Credit Suisse Group AG’s outstanding equity, convert debt instruments and other liabilities of Credit Suisse AG or Credit Suisse Group AG into equity and cancel such liabilities in whole or in part, and stay (for a maximum of two business days) certain rights under contracts, as well as order protective measures, including the deferment of payments, and institute liquidation proceedings. 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 and Credit Suisse Group AG.

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 have implemented significant changes to their monetary policy and may implement 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.

Any conversion of our convertible capital instruments will 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 will convert into common equity upon the occurrence of specified triggering events, including our CET1 ratio falling below prescribed thresholds, 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, 2015, we had 1,951,469,020 common shares outstanding and we had already issued in the aggregate an equivalent of CHF 8.6 billion in principal amount of such convertible contingent capital, and we may issue more such convertible contingent capital in the future. The conversion of some or all of our convertible contingent capital due to the occurrence of a triggering event will 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 “Banking relationships with Board and Executive Board members and related party transactions” in IV – Corporate Governance and Compensation – Corporate Governance for more information on the triggering events related to our convertible contingent capital instruments.

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

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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. 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 maintain 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 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.

Operating and financial review
Operating environment
Credit Suisse
Swiss Universal Bank
International Wealth Management
Asia Pacific
Global Markets
Investment Banking & Capital Markets
Strategic Resolution Unit
Corporate Center
Assets under management
Critical accounting estimates

Operating environment

Economic activity was generally resilient in developed economies in 2015. There were growth concerns in major emerging economies as some areas saw only marginal growth and others fell into recession. Global equity markets increased slightly in 2015, but with significant divergence across regions. Government bond yields remained at low levels. The US dollar strengthened against all other major currencies.

Economic environment

During 2015, the US economy continued to grow, driven mostly by the services sector and increased private consumption. The recovery of the residential housing and employment markets continued. Inflation remained low, driven by lower energy prices and the US dollar strength. Economic recovery in the eurozone continued in 2015, despite the political and financial uncertainty relating to the Greek debt negotiations. Eurozone inflation rose slightly during the year, but remained at historically low levels. Among emerging markets, China's economic growth rate stabilized, supported by monetary and fiscal stimulus measures. Indian economic growth accelerated slightly, while the Russian and Brazilian economies experienced recessionary pressures.

In January 2015, the Swiss National Bank (SNB) decided to discontinue the minimum exchange rate of CHF 1.20 per euro and to lower the interest rate by 50 basis points to (0.75)% on sight deposits that exceed a certain threshold. The SNB also decreased the target range for the three-month Swiss franc >>>London Interbank Offered Rate. These decisions led to a significant strengthening of the Swiss franc against the euro and other major currencies and a decrease in Swiss franc interest rates. It subsequently continued to intervene in foreign exchange markets to stabilize the Swiss franc, while maintaining negative short-term interest rates. In December 2015, the US Federal Reserve (Fed) raised its target range for the federal funds rate by 25 basis points, its first increase since 2006. In contrast, the European Central Bank (ECB) expanded its asset purchase program and extended it until March 2017. Among major emerging markets, the People's Bank of China as well as the central banks of Russia and India eased monetary policy, whereas Brazil's central bank raised interest rates several times during the year.

In 2015, global equity markets were impacted by actions taken by major central banks, geopolitical tensions and sharp movements in currency and commodity markets. Among developed markets, Japanese and eurozone equities outperformed, mainly backed by expansionary monetary policies and the resulting currency depreciation. US equities were subdued as strength in macroeconomic data was more than offset by the anticipation of the interest rate increase by the Fed. Commodity-exposed equity markets such as emerging markets, Canada, Australia and the UK underperformed, impacted by a broad-based weakness in commodity prices. Emerging markets were also pressured by continued growth concerns, particularly in China and Brazil (refer to the charts "Equity markets"). Healthcare and consumer staples sectors outperformed, driven by relatively good earnings growth, while the energy and materials sectors were the weakest.

Equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), was moderate during the first half of the year, but increased substantially towards the middle of the third quarter when a series of weak economic data led to an increase in global economic growth concerns (refer to the charts "Equity markets"). Risk appetite, as measured by the Credit Suisse Equity Risk Appetite Index, had a rising trajectory during the first half of the year, but declined towards the middle of the third quarter and remained weak for the rest of the year. The Credit Suisse Hedge Fund Index decreased 0.7% in 2015.

The performance of government bonds was generally positive in 2015 and yields remained at low levels (refer to the charts "Yield curves"). In local currency terms, Canadian, Italian and Swiss sovereign bonds posted the best returns. Inflation-linked government bonds experienced slightly negative total returns in 2015, mainly due to the drop in commodity prices. Corporate bonds also had a challenging year (refer to the charts "Credit spreads"), with credit spreads widening more significantly for high yield issuers. US high yield bonds were most affected by the commodities downturn, with their total returns ending the year in negative territory. While emerging markets hard currency bonds posted positive returns, local currency-denominated bonds had a negative performance, particularly in US dollar terms, as emerging markets currencies sold off significantly in the first three quarters of the year.

The US dollar appreciated against all other major currencies in 2015, mainly due to diverging monetary policies. Expectations that the Fed would begin raising interest rates, while other central banks such as the ECB and SNB eased monetary policy, weighed in favor of the US dollar. The Swiss franc appreciated strongly against the euro after the SNB discontinued the minimum exchange rate in January 2015. Currencies of commodity-exporting countries such as the Australian dollar, and the majority of emerging markets currencies, weakened considerably against the US dollar, mainly due to declining commodity prices in 2015.

The Credit Suisse Commodities Benchmark lost 29% amid sector divergences. Precious metals gained at the beginning of the year before the strengthening of the US dollar weighed on performance. Energy markets were especially weak in the second half of the year and were the weakest commodity segment by year-end. The ongoing slowdown in Chinese industrial activity also drove base metals prices lower. The performance of agricultural markets was mixed and less correlated with other commodities.

Market volumes (growth in % year on year)

2015	Global	Europe
Equity trading volume [1]	13	14
Announced mergers and acquisitions [2]	42	13
Completed mergers and acquisitions [2]	29	5
Equity underwriting [2]	(12)	(22)
Debt underwriting [2]	(8)	(24)
Syndicated lending – investment grade [2]	(5)	–

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

Sector environment

World bank stocks underperformed global equity markets in 2015 and ended the year 1% lower. European bank stocks underperformed world bank stocks by approximately 3.5% (refer to the charts "Equity markets").

In private banking, the low interest rate environment continued to provide challenging market conditions. The SNB decision to discontinue the minimum exchange rate of CHF 1.20 per euro and to further lower short-term interest rates impacted corporate businesses. While negative interest rates have not generally been applied to retail deposits in Switzerland, certain institutional client deposits were affected. Clients maintained a cautious investment stance, with cash deposits remaining high despite ongoing low or falling interest rates. Overall, the wealth management sector continued to adapt to further industry-specific regulatory changes.

In investment banking, US and European equity trading volumes increased compared to 2014. Compared to 2014, global announced mergers & acquisitions (M&A) volumes rose strongly by 42%. Global completed M&A volumes also increased, mainly driven by higher volumes in the US. Global equity and debt underwriting volumes decreased 12% and 8% compared to 2014, driven by a 22% and 24% decrease in Europe, respectively. US fixed income volumes increased slightly compared to 2014, driven by stronger mortgage-backed volumes.

Credit Suisse

In 2015, we recorded a net loss attributable to shareholders of CHF 2,944 million. Diluted loss per share from continuing operations was CHF 1.73 and return on equity attributable to shareholders was (6.8)%.

As of the end of 2015, our Basel III CET1 ratio was 14.3% and 11.4% on a look-through basis. Our risk-weighted assets were CHF 295.0 billion.

Results

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net interest income	9,299	9,034	8,115	3	11
Commissions and fees	12,044	13,051	13,226	(8)	(1)
Trading revenues	1,340	2,026	2,739	(34)	(26)
Other revenues	1,114	2,131	1,776	(48)	20
Net revenues	**23,797**	**26,242**	**25,856**	(9)	1
Provision for credit losses	**324**	**186**	**167**	74	11
Compensation and benefits	11,546	11,334	11,256	2	1
General and administrative expenses	8,574	9,534	8,587	(10)	11
Commission expenses	1,623	1,561	1,738	4	(10)
Goodwill impairment	3,797	0	12	–	(100)
Restructuring expenses	355	–	–	–	–
Total other operating expenses	14,349	11,095	10,337	29	7
Total operating expenses	**25,895**	**22,429**	**21,593**	15	4
Income/(loss) from continuing operations before taxes	**(2,422)**	**3,627**	**4,096**	–	(11)
Income tax expense	523	1,405	1,276	(63)	10
Income/(loss) from continuing operations	**(2,945)**	**2,222**	**2,820**	–	(21)
Income from discontinued operations	0	102	145	(100)	(30)
Net income/(loss)	**(2,945)**	**2,324**	**2,965**	–	(22)
Net income/(loss) attributable to noncontrolling interests	(1)	449	639	–	(30)
Net income/(loss) attributable to shareholders	**(2,944)**	**1,875**	**2,326**	–	(19)
of which from continuing operations	(2,944)	1,773	2,181	–	(19)
of which from discontinued operations	0	102	145	(100)	(30)
Statement of operations metrics (%)					
Return on regulatory capital	(4.5)	6.3	–	–	–
Cost/income ratio	108.8	85.5	83.5	–	–
Effective tax rate	(21.6)	38.7	31.2	–	–
Earnings per share (CHF)					
Basic earnings/(loss) per share from continuing operations	(1.73)	0.99	1.10	–	(10)
Diluted earnings/(loss) per share from continuing operations	(1.73)	0.98	1.10	–	(11)
Return on equity (%)					
Return on equity attributable to shareholders	(6.8)	4.4	5.7	–	–
	(8.4)	5.4	7.2	–	–

Return on tangible equity attributable to shareholders [1]					
Balance sheet statistics (CHF million)					
Total assets	820,805	921,462	872,806	(11)	6
Risk-weighted assets [2]	289,946	284,248	266,103	2	7
Leverage exposure [2]	987,628	1,149,656	–	(14)	–
Number of employees (full-time equivalents)					
Number of employees	48,200	45,800	46,000	5	0

1

Based on tangible shareholders' equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders. Management believes that the return on tangible shareholders' equity attributable to shareholders is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired.

2

Disclosed on a look-through basis.

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Strategy update

On October 21, 2015, we announced that the Board of Directors had resolved to introduce a comprehensive package of measures setting the new strategic direction, structure and organization of the Group. 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 specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. With the introduction of the Strategic Resolution Unit, the concept of strategic and non-strategic results was retired. A simplified Corporate Center includes overall costs of corporate functions, providing transparency of the pre- and post-allocated view of these costs.

> Refer to “Strategy” in I – Information on the company for further information on the new strategy and the organizational structure.

Results Summary

Full-year 2015 results

In 2015, Credit Suisse reported a net loss attributable to shareholders of CHF 2,944 million, including a goodwill impairment charge of CHF 3,797 million, compared to net income attributable to shareholders of CHF 1,875 million in 2014.

Net revenues of CHF 23,797 million decreased 9% compared to 2014, primarily reflecting lower net revenues in Global Markets, the Strategic Resolution Unit, International Wealth Management, Investment Banking & Capital Markets and Swiss Universal Bank, partially offset by higher net revenues in Asia Pacific. Net revenues in Global Markets declined due to challenging trading conditions, low levels of client activity and decreased issuance activity. Net revenues in the Strategic Resolution Unit decreased primarily due to lower noncontrolling interests without significant economic interests (SEI) and losses relating to the restructuring of the former Asset Management division in 2015. Net revenues in International Wealth Management decreased with lower asset management fees following the change in fund management from Hedging-Griffo to a new venture in Brazil, Verde Asset Management, in which we have a significant investment, significantly lower performance fees and carried interest and lower other revenues, partially offset by higher net interest income. Lower net revenues in Investment Banking & Capital Markets reflected lower debt and equity underwriting revenues, partially offset by higher advisory revenues. Net revenues in Swiss Universal Bank decreased slightly, mainly driven by larger gains from the sale of real estate in 2014, the impact of the deconsolidation of the credit and charge cards issuing business following its transfer to Swisscard AECS GmbH, an entity in which we hold a significant equity interest, and lower transaction-based revenues, partially offset by higher net interest income. Net revenues in Asia Pacific were higher, reflecting a strong performance in 2015, particularly in equity sales and trading and from >>>ultra-high-net-worth individual (UHNWI) and >>>high-net-worth individual (HNWI) client business.

Provision for credit losses of CHF 324 million primarily reflected net provisions of CHF 138 million in Swiss Universal Bank and net provisions of CHF 132 million in the Strategic Resolution Unit.

Total operating expenses of CHF 25,895 million were up 15% compared to 2014, primarily reflecting the goodwill impairment charge in the fourth quarter of 2015. In addition, we incurred CHF 355 million of restructuring expenses in the fourth quarter of 2015 in connection with the new strategy, of which CHF 309 million related to severance and other compensation expenses.

Goodwill: The new strategic direction, structure and organization that we announced on October 21, 2015 required an impairment assessment of the carrying value of our goodwill position in the fourth quarter of 2015, the most significant component of

which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. Upon performance of that assessment, we recorded a goodwill impairment charge of CHF 3,797 million in the fourth quarter of 2015, which was recognized across three business divisions in relation to our investment banking activities: Global Markets (CHF 2,661 million), Asia Pacific (CHF 756 million) and Investment Banking & Capital Markets (CHF 380 million). The goodwill impairment charge did not impact CET1 capital and leverage ratios on a look-through basis.

The **Credit Suisse effective tax rate** was (21.6)% in 2015, compared to 38.7% in 2014. The effective tax rate for 2015 mainly reflected the non-deductible goodwill impairment and additional tax charges from changes in tax law and rates in the UK and New York City. These impacts were partially offset by tax benefits from the geographical mix of results and reassessment of deferred tax balances, mainly in Hong Kong. It also reflected changes in valuation allowances against deferred tax assets, mainly in the UK and Switzerland. Overall, net deferred tax assets increased CHF 95 million to CHF 6,125 million during 2015.

> Refer to "Note 28 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

Full-year 2014 results

In 2014, Credit Suisse reported net income attributable to shareholders of CHF 1,875 million compared to CHF 2,326 million in 2013.

Net revenues of CHF 26,242 million were stable compared to 2013, primarily reflecting higher net revenues in Asia Pacific, Swiss Universal Bank and Corporate Center, partially offset by lower net revenues in the Strategic Resolution Unit, Global Markets and International Wealth Management. Higher net revenues in Asia Pacific were due to strong performance in 2014 in fixed income and equity sales and trading as well as from UHNWI and HNWI client business. Net revenues in Swiss Universal Bank increased slightly, mainly driven by larger gains from the sale in real estate and a gain related to the partial sale of our investment in Euroclear, partially offset by lower net interest income and lower transaction-based revenues. The improved results in Corporate Center mainly reflected fair value gains from movements in own credit spreads of CHF 543 million in 2014 compared to fair value losses from movements in own credit spreads of CHF 296 million in 2013. Net revenues in the Strategic Resolution Unit decreased, primarily driven by lower net revenues relating to the restructuring of the former Asset Management division and losses from the legacy investment banking portfolio in 2014. Net revenues in Global Markets were down, reflecting lower results in equity sales and trading that offset stable performance in fixed income sales and trading. Net revenues in International Wealth Management decreased with significantly lower performance fees and carried interest and lower net interest income, partially offset by higher other revenues.

Provision for credit losses of CHF 186 million primarily reflected net provisions of CHF 94 million in Swiss Universal Bank, net provisions of CHF 40 million in Asia Pacific and net provisions of CHF 33 million in the Strategic Resolution Unit.

Total operating expenses of CHF 22,429 million were up 4% compared to 2013, mainly reflecting an 11% increase in general and administrative expenses, primarily driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters in 2014.

The **Credit Suisse effective tax rate** was 38.7% in 2014, compared to 31.2% in 2013. The effective tax rate for 2014 was mainly impacted by the geographical mix of results, the tax benefits for audit closures and tax settlements, the recognition of additional deferred tax assets relating to timing differences following certain changes in Swiss GAAP as well as the reassessment of deferred tax balances in Switzerland following the annual business plan process. It also reflected changes in valuation allowances against deferred tax assets mainly in the UK. In addition, the tax rate was negatively affected by the impact of a change in New York state tax law and reflected the impact relating to the non-deductible portion for litigation provisions and litigation settlements. Overall, net deferred tax assets increased CHF 239 million to CHF 6,030 million during 2014.

Employees

As of December 31, 2015, we had 48,200 employees worldwide, of which 17,400 were in Switzerland and 30,800 were abroad.

The number of employees increased by 2,400 compared to the end of 2014. The increase reflected graduate hiring and contractor employee conversion, partially offset by a decrease in headcount resulting from our cost efficiency initiatives. Our corporate titles include managing director, director, vice president, assistant vice president and non-officer staff. The majority of our employees do not belong to unions. We have not experienced any significant strikes, work stoppages or labor disputes in recent years. We consider our relations with our employees to be good.

Number of employees			
end of	2015	2014	% change
Number of employees (full-time equivalents)			
Swiss Universal Bank	14,200	13,200	8
International Wealth Management	9,100	8,700	5
Asia Pacific	6,700	5,900	14
Global Markets	13,000	11,900	9
Investment Banking & Capital Markets	2,800	2,400	17
Strategic Resolution Unit	2,100	3,400	(38)
Corporate Center	300	300	0
Number of employees	**48,200**	**45,800**	5
of which Switzerland	17,400	17,100	2
of which all other regions	30,800	28,700	7

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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
2015 (CHF million)									
Net revenues	**5,563**	**4,394**	**3,839**	**7,391**	**1,752**	**445**	**23,384**	**413**	**23,797**
Provision for credit losses	**138**	**3**	**35**	**13**	**3**	**0**	**192**	**132**	**324**
Compensation and benefits	1,915	2,044	1,557	3,418	1,266	329	10,529	1,017	11,546
Total other operating expenses	1,851	1,638	1,870	5,904	836	476	12,575	1,774	14,349
of which goodwill impairment	0	0	756	2,661	380	0	3,797	0	3,797
of which restructuring expenses	39	33	3	105	22	–	202	153	355
Total operating expenses	**3,766**	**3,682**	**3,427**	**9,322**	**2,102**	**805**	**23,104**	**2,791**	**25,895**
Income/(loss) before taxes	**1,659**	**709**	**377**	**(1,944)**	**(353)**	**(360)**	**88**	**(2,510)**	**(2,422)**
Return on regulatory capital	13.8	15.5	6.7	(10.0)	(15.0)	–	0.2	(28.2)	(4.5)
Cost/income ratio	67.7	83.8	89.3	126.1	120.0	–	98.8	–	108.8
Total assets	218,306	94,033	85,929	262,201	19,800	62,872	743,141	77,664	820,805
Goodwill	567	1,549	1,522	531	639	0	4,808	0	4,808
Risk-weighted assets [1]	59,869	32,407	27,624	73,706	17,824	16,878	228,308	61,638	289,946
Leverage exposure [1]	235,700	99,112	98,698	313,315	42,861	59,723	849,409	138,219	987,628
2014 (CHF million)									
Net revenues	**5,721**	**4,751**	**3,335**	**8,613**	**2,106**	**548**	**25,074**	**1,168**	**26,242**
Provision for credit losses	**94**	**12**	**40**	**7**	**(2)**	**2**	**153**	**33**	**186**
Compensation and benefits	1,835	2,138	1,425	3,332	1,188	334	10,252	1,082	11,334
Total other operating expenses	1,816	1,389	970	2,617	412	265	7,469	3,626	11,095
Total operating expenses	**3,651**	**3,527**	**2,395**	**5,949**	**1,600**	**599**	**17,721**	**4,708**	**22,429**
Income/(loss) before taxes	**1,976**	**1,212**	**900**	**2,657**	**508**	**(53)**	**7,200**	**(3,573)**	**3,627**

Return on regulatory capital	16.5	27.0	13.1	14.0	26.2	–	15.5	(32.6)	6.3
Cost/income ratio	63.8	74.2	71.8	69.1	76.0	–	70.7	–	85.5
Total assets	213,888	92,466	105,574	365,580	14,928	21,562	813,998	107,464	921,462
Goodwill	570	1,557	2,290	3,205	1,022	0	8,644	0	8,644
Risk-weighted assets [1]	57,291	31,471	27,139	73,280	13,870	16,125	219,176	65,072	284,248
Leverage exposure [1]	238,856	84,369	137,843	412,316	42,017	15,180	930,581	219,075	1,149,656
2013 (CHF million)									
Net revenues	**5,612**	**4,929**	**3,018**	**8,974**	**2,014**	**(321)**	**24,226**	**1,630**	**25,856**
Provision for credit losses	**71**	**8**	**(7)**	**17**	**0**	**1**	**90**	**77**	**167**
Compensation and benefits	2,066	2,149	1,326	3,271	1,056	238	10,106	1,150	11,256
Total other operating expenses	1,735	1,555	947	2,674	377	88	7,376	2,961	10,337
Total operating expenses	**3,801**	**3,704**	**2,273**	**5,945**	**1,433**	**326**	**17,482**	**4,111**	**21,593**
Income/(loss) before taxes	**1,740**	**1,217**	**752**	**3,012**	**581**	**(648)**	**6,654**	**(2,558)**	**4,096**
Cost/income ratio	67.7	75.1	75.3	66.2	71.2	–	72.2	–	83.5
Total assets	186,122	80,336	98,672	359,563	6,662	32,979	764,334	108,472	872,806
Goodwill	541	1,443	2,118	2,953	944	0	7,999	0	7,999
Risk-weighted assets [1]	51,777	26,302	22,349	73,300	11,210	15,298	200,236	65,867	266,103

1
Disclosed on a look-through basis.

Information and developments

Format of presentation

In managing the 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, individual revenue categories may not be indicative of performance.

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

As used herein, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments. Leverage amounts as of the end of 2014, which are presented in order to show meaningful comparative information, are based on estimates which are calculated as if the BIS leverage ratio framework had been implemented in Switzerland at such time.

Return on regulatory capital is calculated using income 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. For 2014 calculations, end of period risk-weighted assets and leverage exposure were used.

The calculation of divisional economic risk capital metrics and associated ratios under the new organization required certain additional assumptions and allocation methods which may not be required for future periods given the level of information then available.

> Refer to “Leverage metrics” and “Economic risk capital” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management and Risk management – Risk coverage and management, respectively, for further information on leverage exposure, ratios and economic risk capital.

Capital increase

At an Extraordinary General Meeting on November 19, 2015, the Group’s shareholders approved two capital increases. We completed the first capital increase by way of a private placement of 58,000,000 newly issued shares to a number of qualified investors. We completed the second capital increase by way of a rights offering. By the end of the rights exercise period on December 3, 2015, 99.0% of the rights had been exercised and 258,445,328 newly issued shares were subscribed. We sold in the market the 2,538,570 newly issued shares that were not subscribed. The gross proceeds for the Group from these capital increases totaled CHF 6.0 billion.

Capital distribution proposal

Our Board of Directors will propose to the shareholders at the Annual General Meeting (AGM) on April 29, 2016 a distribution of CHF 0.70 per share out of capital contribution reserves for the financial year 2015. 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 or, subject to any legal restrictions applicable in shareholders’ home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder. The Board proposes to increase the authorized capital to a maximum of CHF 9.2 million (equivalent to 230,000,000 registered shares), of which CHF 5.2 million (equivalent to 130,000,000 registered shares) are exclusively reserved for servicing a stock dividend or a scrip dividend. In case the AGM does not support the increase of authorized capital for stock or scrip dividend, no dividend distribution will take place.

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 issues 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. Shareholders' equity also includes, as additional paid-in capital, the excess tax benefits/charges that arise at settlement of share-based awards.

The economic value of variable incentive compensation awarded for 2015 for the Group was 11% lower than in 2014, reflecting compensation discipline and the lower results.

> Refer to "Compensation" in IV – Corporate Governance and Compensation for further information.

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

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

Allocations and funding

Revenue sharing and cost allocation

Responsibility for each product is allocated to a 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.

Corporate services and business support in finance, operations, human resources, legal, compliance, risk management and IT are provided by corporate functions. Such costs are allocated to the segments and Corporate Center based on their 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 "Funding" in V – Consolidated financial statements – Credit Suisse Group – Note 5 – Segment information 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 V – 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 little 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 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, and life finance instruments.

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 2015, 43% and 27% of our total assets and total liabilities, respectively, were measured at fair value. While the majority of our level 3 assets are recorded in our investment banking businesses, some are recorded in International Wealth Management's Asset Management business, specifically certain private equity investments. Total assets at fair value recorded as level 3 decreased CHF 3.8 billion to CHF 35.7 billion as of the end of 2015, primarily reflecting net settlements, mainly in trading assets, and the foreign exchange translation impact, mainly in trading assets and loans held-for-sale, partially offset by net transfers into level 3 assets, mainly in trading assets.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 31.5 billion, compared to

CHF 35.5 billion as of the end of 2014. As of the end of 2015, these assets comprised 4% of total assets and 9% of total assets measured at fair value, both adjusted on the same basis, compared to 4% and 8%, respectively, as of the end of 2014.
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.

Evolution of legal entity structure

The execution of the program evolving the Group's legal entity structure to meet developing and future regulatory requirements has continued to progress and we have reached a number of significant milestones over the course of the year.

– In April 2015, we incorporated a new Swiss legal entity, Credit Suisse (Schweiz) AG, a wholly-owned subsidiary of Credit Suisse AG and registered it in the Commercial Register of the Canton of Zurich. We have applied for a Swiss banking license and expect that this entity, which will largely include the business of the Swiss Universal Bank division, will become operational in the second half of 2016, pending regulatory approval, including >>>FINMA. The new legal entity structure in Switzerland is not expected to significantly impact either our current business proposition nor our client servicing model. Credit Suisse (Schweiz) AG will provide clients with access to high-quality services, the entire product offering and the comprehensive expertise of our global bank. Both Credit Suisse AG and Credit Suisse (Schweiz) AG are expected to be licensed Swiss banks and subject to the specific Swiss requirements for systemically relevant banks with respect to capital adequacy, liquidity and risk diversification. The same rules on depositor protection and segregation of custody assets will apply to both;

– In 2015, USD 15 billion of senior unsecured bail-in instruments were issued that we expect will be eligible for future capital treatment under >>>total loss-absorbing capacity (TLAC) rules proposed by the Financial Stability Board to facilitate a Single Point of Entry bail-in resolution strategy. To comply with the current Swiss tax withholding regime, this bail-in debt was issued by a wholly-owned subsidiary of the Group and is guaranteed by the Group;

– In December 2015, we received regulatory approval from the Central Bank of Ireland to operate a branch of Credit Suisse AG in Dublin. The newly established branch will become our primary hub for prime services business in Europe.

The legal entity program has been prepared in discussion with FINMA, our primary regulator, and other regulators and will address regulations in Switzerland, the US and the UK with respect to future 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. We expect these changes will result in a less complex entity structure for the Group. The program has been approved by the Board of Directors of the Group, but it remains subject to final approval by FINMA and other regulators.

Relationship between total shareholders' equity, tangible shareholders' equity and regulatory capital

Credit Suisse measures firm-wide returns against total shareholders' equity and tangible shareholders' equity. In addition, it also measures the efficiency of the firm and its divisions with regards 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 the 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.

Core Results

Full-year 2015 results

In 2015, Core Results net revenues of CHF 23,384 million decreased 7% compared to 2014, primarily reflecting lower net revenues in Global Markets, International Wealth Management, Investment Banking & Capital Markets and Swiss Universal Bank, partially offset by higher net revenues in Asia Pacific. Provision for credit losses was CHF 192 million, primarily reflecting net provisions of CHF 138 million in Swiss Universal Bank and CHF 35 million in Asia Pacific. Total operating expenses of CHF 23,104 million were up 30% compared to 2014, primarily reflecting the goodwill impairment charge of CHF 3,797 million in 2015 and a 17% increase in general and administrative expenses.

Full-year 2014 results

In 2014, Core Results net revenues of CHF 25,074 million increased 4% compared to 2013, primarily reflecting higher net revenues in Asia Pacific and Corporate Center, partially offset by lower net revenues in Global Markets and International Wealth Management. Provision for credit losses was CHF 153 million, mainly reflecting net provisions of CHF 94 million in Swiss Universal Bank and CHF 40 million in Asia Pacific. Total operating expenses of CHF 17,721 million were stable compared to 2013, reflecting a 4% increase in general and administrative expenses, offset by a 9% decrease in commission expenses, and stable compensation and benefits.

Credit Suisse and Core Results

			Core Results			Strategic Resolution Unit			Credit Suisse
in / end of	2015	2014	2013	2015	2014	2013	2015	2014	2013
Statements of operations (CHF million)									
Net revenues	**23,384**	**25,074**	**24,226**	**413**	**1,168**	**1,630**	**23,797**	**26,242**	**25,856**
Provision for credit losses	**192**	**153**	**90**	**132**	**33**	**77**	**324**	**186**	**167**
Compensation and benefits	10,529	10,252	10,106	1,017	1,082	1,150	11,546	11,334	11,256
General and administrative expenses	7,112	6,086	5,849	1,462	3,448	2,738	8,574	9,534	8,587
Commission expenses	1,464	1,383	1,527	159	178	211	1,623	1,561	1,738
Goodwill impairment	3,797	0	0	0	0	12	3,797	0	12
Restructuring expenses	202	–	–	153	–	–	355	–	–
Total other operating expenses	12,575	7,469	7,376	1,774	3,626	2,961	14,349	11,095	10,337
Total operating expenses	**23,104**	**17,721**	**17,482**	**2,791**	**4,708**	**4,111**	**25,895**	**22,429**	**21,593**
Income/(loss) before taxes	**88**	**7,200**	**6,654**	**(2,510)**	**(3,573)**	**(2,558)**	**(2,422)**	**3,627**	**4,096**
Statement of operations metrics (%)									
Return on regulatory capital	0.2	15.5	–	(28.2)	(32.6)	–	(4.5)	6.3	–
Balance sheet statistics (CHF million)									
Total assets	743,141	813,998	764,334	77,664	107,464	108,472	820,805	921,462	872,806
Risk-weighted assets [1]	228,308	219,176	200,236	61,638	65,072	65,867	289,946	284,248	266,103
Leverage exposure [1]	849,409	930,581	–	138,219	219,075	–	987,628	1,149,656	–

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Disclosed on a look-through basis.

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Core Results by business activity

in 2015	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	Core Results
Related to private banking (CHF million)							
Net revenues	3,633	3,066	1,178	–	–	–	7,877
of which net interest income	1,770	1,006	445	–	–	–	3,221
of which recurring	1,102	1,161	260	–	–	–	2,523
of which transaction-based	657	891	456	–	–	–	2,004
Provision for credit losses	49	3	18	–	–	–	70
Total operating expenses	2,715	2,537	816	–	–	–	6,068
Income before taxes	**869**	**526**	**344**	**–**	**–**	**–**	**1,739**
Related to corporate & institutional banking (CHF million)							
Net revenues	1,930	–	–	–	–	–	1,930
of which net interest income	987	–	–	–	–	–	987
of which recurring	467	–	–	–	–	–	467
of which transaction-based	498	–	–	–	–	–	498
Provision for credit losses	89	–	–	–	–	–	89
Total operating expenses	1,051	–	–	–	–	–	1,051
Income before taxes	**790**	**–**	**–**	**–**	**–**	**–**	**790**
Related to investment banking (CHF million)							
Net revenues	–	–	2,661	7,391	1,752	–	11,804
of which fixed income sales and trading	–	–	608	3,815	–	–	4,423
of which equity sales and trading	–	–	1,872	2,787	–	–	4,659
of which underwriting and advisory	–	–	292	994	1,933	–	3,219
Provision for credit losses	–	–	17	13	3	–	33
Total operating expenses	–	–	2,611	9,322	2,102	–	14,035
Income/(loss) before taxes	**–**	**–**	**33**	**(1,944)**	**(353)**	**–**	**(2,264)**
Related to asset management (CHF million)							
Net revenues	–	1,328	–	–	–	–	1,328
Provision for credit losses	–	0	–	–	–	–	0
Total operating expenses	–	1,145	–	–	–	–	1,145
Income before taxes	**–**	**183**	**–**	**–**	**–**	**–**	**183**
Related to corporate center (CHF million)							
Net revenues	–	–	–	–	–	445	445
Provision for credit losses	–	–	–	–	–	0	0
Total operating expenses	–	–	–	–	–	805	805
Loss before taxes	**–**	**–**	**–**	**–**	**–**	**(360)**	**(360)**
Total (CHF million)							
Net revenues	5,563	4,394	3,839	7,391	1,752	445	23,384
Provision for credit losses	138	3	35	13	3	0	192

Total operating expenses	3,766	3,682	3,427	9,322	2,102	805	23,104
Income/(loss) before taxes	**1,659**	**709**	**377**	**(1,944)**	**(353)**	**(360)**	**88**

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Differences between Group and Bank

Except where noted, 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 the Strategic Resolution Unit segments. These segment results are included in Core Results, except for the Strategic Resolution Unit, which is part of the Credit Suisse Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the six segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Swiss Universal Bank, financing vehicles of the Group and hedging activities relating to share-based compensation awards. Core Results also include certain Corporate Center activities of the Group that are not applicable to the Bank.

These operations and activities vary from period to period and give rise to differences between the Bank's assets, liabilities, revenues and expenses, including pensions and taxes, and those of the Group.

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

Differences between Group and Bank businesses

Entity	Principal business activity
Neue Aargauer Bank AG	Banking (in the Swiss canton of Aargau)
BANK-now AG	Private credit and car leasing (in Switzerland)
Financing vehicles of the Group	Special purpose vehicles for various funding activities of the Group, including for purposes of raising capital

Comparison of consolidated statements of operations

			Group			Bank
in	2015	2014	2013	2015	2014	2013
Statements of operations (CHF million)						
Net revenues	**23,797**	**26,242**	**25,856**	**23,211**	**25,589**	**25,314**
Total operating expenses	**25,895**	**22,429**	**21,593**	**25,873**	**22,503**	**21,567**
Income/(loss) from continuing operations before taxes	**(2,422)**	**3,627**	**4,096**	**(2,938)**	**2,961**	**3,654**
Income tax expense	523	1,405	1,276	439	1,299	1,170
Income/(loss) from continuing operations	**(2,945)**	**2,222**	**2,820**	**(3,377)**	**1,662**	**2,484**
Income from discontinued operations	0	102	145	0	102	145
Net income/(loss)	**(2,945)**	**2,324**	**2,965**	**(3,377)**	**1,764**	**2,629**
Net income/(loss) attributable to noncontrolling interests	(1)	449	639	(7)	445	669
Net income/(loss) attributable to shareholders	**(2,944)**	**1,875**	**2,326**	**(3,370)**	**1,319**	**1,960**

Comparison of consolidated balance sheets

		Group		Bank
end of	2015	2014	2015	2014
Balance sheet statistics (CHF million)				

Total assets	820,805	921,462	803,931	904,849
Total liabilities	775,787	876,461	759,241	860,208

Capitalization and indebtedness

		Group		Bank
end of	2015	2014	2015	2014
Capitalization and indebtedness (CHF million)				
Due to banks	21,054	26,009	21,460	26,506
Customer deposits	342,705	369,058	331,700	357,569
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	46,598	70,119	46,598	70,119
Long-term debt	197,608	177,898	192,094	172,947
Other liabilities	167,822	233,377	167,389	233,067
Total liabilities	**775,787**	**876,461**	**759,241**	**860,208**
Total equity	**45,018**	**45,001**	**44,690**	**44,641**
Total capitalization and indebtedness	**820,805**	**921,462**	**803,931**	**904,849**

BIS capital metrics

		Group		Bank
end of	2015	2014	2015	2014
Capital and risk-weighted assets (CHF million)				
Common equity tier 1 (CET1) capital	42,072	43,322	40,013	40,853
Tier 1 capital	53,063	49,804	50,570	47,114
Total eligible capital	62,682	60,751	60,242	58,111
Risk-weighted assets	294,950	291,410	286,947	282,994
Capital ratios (%)				
CET1 ratio	14.3	14.9	13.9	14.4
Tier 1 ratio	18.0	17.1	17.6	16.6
Total capital ratio	21.3	20.8	21.0	20.5

Dividends of the Bank to the Group

end of	2015	2014
Per share issued (CHF)		
Dividend [1, 2]	0.00[3]	0.00

The Bank's total share capital is fully paid and consisted of 4,399,680,200 registered shares as of December 31, 2015 and 2014, respectively.

1
Dividends are determined in accordance with Swiss law and the Bank's articles of incorporation.

2
In 2013, 2012 and 2011, dividends per share issued were CHF 0.00, CHF 0.23 and CHF 0.23, respectively.

3
Proposal of the Board of Directors to the annual general meeting of the Bank for a dividend of CHF 10 million.

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Swiss Universal Bank

In 2015, we reported income before taxes of CHF 1,659 million and net revenues of CHF 5,563 million. Income before taxes decreased 16% compared to 2014, reflecting slightly lower net revenues, slightly higher total operating expenses and higher provision for credit losses.

Divisional results

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**5,563**	**5,721**	**5,612**	(3)	2
Provision for credit losses	**138**	**94**	**71**	47	32
Compensation and benefits	1,915	1,835	2,066	4	(11)
General and administrative expenses	1,540	1,526	1,397	1	9
Commission expenses	272	290	338	(6)	(14)
Restructuring expenses	39	–	–	–	–
Total other operating expenses	1,851	1,816	1,735	2	5
Total operating expenses	**3,766**	**3,651**	**3,801**	3	(4)
Income before taxes	**1,659**	**1,976**	**1,740**	(16)	14
Statement of operations metrics (%)					
Return on regulatory capital	13.8	16.5	–	–	–
Cost/income ratio	67.7	63.8	67.7	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	4,791	4,905	5,137	(2)	(5)
Pre-tax return on average economic risk capital (%) [1]	34.8	40.5	34.1	–	–
Number of employees and relationship managers					
Number of employees (full-time equivalents)	14,200	13,200	13,200	8	0
Number of relationship managers	2,060	2,070	2,040	0	1

1
Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Net revenues (CHF million)					
Private Banking	3,633	3,914	3,692	(7)	6
Corporate & Institutional Banking	1,930	1,807	1,920	7	(6)
Net revenues	**5,563**	**5,721**	**5,612**	(3)	2
Net revenue detail (CHF million)					
Net interest income	2,757	2,377	2,562	16	(7)
Recurring commissions and fees	1,569	1,671	1,660	(6)	1
Transaction-based revenues	1,155	1,271	1,345	(9)	(6)
Other revenues	82	402	45	(80)	–
Net revenues	**5,563**	**5,721**	**5,612**	(3)	2
Provision for credit losses (CHF million)					
New provisions	205	163	179	26	(9)
Releases of provisions	(67)	(69)	(108)	(3)	(36)
Provision for credit losses	**138**	**94**	**71**	47	32
Balance sheet statistics (CHF million)					
Total assets	218,306	213,888	186,122	2	15
Net loans	163,912	164,755	–	(1)	–
Risk-weighted assets	59,869	57,291	51,777	4	11
Leverage exposure	235,700	238,856	–	(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-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. Other revenues include fair value gains/(losses) on the Clock Finance transaction and other gains and losses.

Results Summary

Full-year 2015 results

In 2015, Swiss Universal Bank reported income before taxes of CHF 1,659 million and net revenues of CHF 5,563 million. Compared to 2014, net revenues decreased slightly, mainly driven by larger gains from the sale of real estate in 2014, the impact of the deconsolidation of the cards issuing business and lower transaction-based revenues, partially offset by higher net interest income. The decrease in transaction-based revenues reflected lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by an extraordinary dividend from our ownership interest in SIX Group AG and higher sales and trading revenues. Net interest income increased, reflecting improved loan margins on stable average loan volumes, partially offset by lower deposit margins on slightly higher average deposit volumes. Excluding the net impact from the real estate gains of CHF 319 million and the deconsolidation of the cards issuing business of CHF 165 million, net revenues increased 7%. Provision for credit losses was CHF 138 million in 2015 on a net loan portfolio of CHF 163.9 billion. Total operating expenses increased slightly, reflecting higher salary expenses due to a recalibration of Swiss holiday accruals, restructuring expenses in connection with the implementation of the new strategy, higher professional expenses and litigation provisions, partially offset by lower expenses due to the deconsolidation of the cards issuing business in the third quarter of 2015.

Full-year 2014 results

In 2014, Swiss Universal Bank reported income before taxes of CHF 1,976 million and net revenues of CHF 5,721 million. Compared to 2013, net revenues increased slightly, mainly driven by larger gains from the sale of real estate and a gain related to the partial sale of our investment in Euroclear, partially offset by lower net interest income and lower transaction-based revenues. The decrease in net interest income reflected significantly lower deposit margins on

higher average deposit volumes, partially offset by stable loan margins on slightly higher average loan volumes. The decrease in transaction-based revenues reflected lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by higher corporate advisory fees related to integrated solutions. Provision for credit losses was CHF 94 million in 2014 on a net loan portfolio of CHF 164.8 billion. Total operating expenses decreased with lower compensation expenses reflecting lower salary expenses and pension expenses, partially offset by higher general and administrative expenses reflecting higher professional expenses and contractor services fees.

Capital and leverage metrics

At the end of 2015, Swiss Universal Bank reported risk-weighted assets of CHF 59.9 billion, an increase of CHF 2.6 billion compared to the end of 2014. This increase was driven by the phase-in of the Swiss mortgage multipliers, partially offset by various optimization measures. Leverage exposure was CHF 235.7 billion, reflecting a decrease of 1.3% compared to the end of 2014.

Business developments

On July 1, 2015, the Group transferred the credit and charge cards issuing business (cards issuing business) to Swisscard AECS GmbH, an entity in which the Group holds a significant equity interest. As a result of the transfer, the cards issuing business was deconsolidated as of July 1, 2015, including the pre-existing noncontrolling interest in the cards issuing business. Consequently, income/revenues and expenses from the cards issuing business are no longer fully reflected in the Group's consolidated financial statements, in the Private Banking results within the Swiss Universal Bank segment or in the Swiss Universal Bank segment, but the Group's share of net income from the equity method investment in Swisscard AECS GmbH is recorded within net revenues in all three presentations. At the same time, the Group's net income attributable to noncontrolling interests is reduced as a result of the deconsolidation. Given that Swisscard AECS GmbH continues to be an equity method investment of the Group, the aggregate impact of the deconsolidation on the Group's net income/(loss) attributable to shareholders is not material.

Private Banking

Results – Private Banking

			in		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**3,633**	**3,914**	**3,692**	(7)	6
Provision for credit losses	**49**	**60**	**75**	(18)	(20)
Compensation and benefits	1,299	1,228	1,428	6	(14)
General and administrative expenses	1,198	1,193	1,080	0	10
Commission expenses	186	205	256	(9)	(20)
Restructuring expenses	32	–	–	–	–
Total other operating expenses	1,416	1,398	1,336	1	5
Total operating expenses	**2,715**	**2,626**	**2,764**	3	(5)
Income before taxes	**869**	**1,228**	**853**	(29)	44
Statement of operations metrics (%)					
Cost/income ratio	74.7	67.1	74.9	–	–
Net revenue detail (CHF million)					
Net interest income	1,770	1,493	1,561	19	(4)
Recurring commissions and fees	1,102	1,219	1,224	(10)	0
Transaction-based revenues	657	774	846	(15)	(9)
Other revenues	104	428	61	(76)	–
Net revenues	**3,633**	**3,914**	**3,692**	(7)	6
Margins on assets under management (bp)					
Gross margin [1]	146	153	153	–	–
Net margin [2]	35	48	35	–	–
Number of relationship managers					
Number of relationship managers	1,570	1,590	1,530	(1)	4

1

Net revenues divided by average assets under management.

2

Income before taxes divided by average assets under management.

66

Results

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

Net interest income

2015 vs 2014: Up 19% from CHF 1,493 million to CHF 1,770 million

The increase in net interest income reflected improved loan margins on stable average loan volumes, partially offset by lower deposit margins on slightly higher average deposit volumes.

2014 vs 2013: Down 4% from CHF 1,561 million to CHF 1,493 million

The decrease in net interest income reflected significantly lower deposit margins on higher average deposit volumes, partially offset by stable loan margins on slightly higher average loan volumes.

Recurring commissions and fees

2015 vs 2014: Down 10% from CHF 1,219 million to CHF 1,102 million

The decrease primarily reflected the deconsolidation of the cards issuing business. Excluding the related net impact of CHF 113 million, recurring commissions and fees were stable reflecting higher investment advisory fees, offset by lower security account and custody services fees.

2014 vs 2013: Stable at CHF 1,219 million

Recurring commissions and fees were stable with lower investment product management fees and lower asset management fees, offset by higher banking services fees and higher discretionary mandate management fees.

Transaction-based revenues

2015 vs 2014: Down 15% from CHF 774 million to CHF 657 million

Lower transaction-based revenues reflected lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by the extraordinary dividend from SIX Group.

2014 vs 2013: Down 9% from CHF 846 million to CHF 774 million

Transaction-based revenues decreased with lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by higher corporate advisory fees related to integrated solutions.

Other revenues

2015 vs 2014: Down 76% from CHF 428 million to CHF 104 million

The decrease in other revenues reflected larger gains from the sale of real estate in 2014.

2014 vs 2013: Up from CHF 61 million to CHF 428 million

The increase in other revenues reflected larger gains from the sale of real estate and a gain related to the partial sale of our investment in Euroclear.

Provision for credit losses

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

2015 vs 2014: Down 18% from CHF 60 million to CHF 49 million

The decrease in provision for credit losses was primarily related to our consumer finance business.

2014 vs 2013: Down 20% from CHF 75 million to CHF 60 million

The decrease in provision for credit losses was primarily related to our consumer finance business.

Compensation and benefits

2015 vs 2014: Up 6% from CHF 1,228 million to CHF 1,299 million

Compensation and benefits increased, reflecting higher salary expenses due to the holiday accrual recalibration and higher discretionary compensation expenses.

2014 vs 2013: Down 14% from CHF 1,428 million to CHF 1,228 million

Compensation and benefits decreased reflecting lower salary expenses and lower pension expenses.

General and administrative expenses

2015 vs 2014: Stable at CHF 1,198 million

General and administrative expenses were stable with higher litigation provisions and professional services fees, offset by lower expenses due to the deconsolidation of the cards issuing business.

2014 vs 2013: Up 10% from CHF 1,080 million to CHF 1,193 million

General and administrative expenses increased with higher professional services fees and higher contractor services fees, partially offset by lower occupancy expenses.

margins

Gross margin

Our gross margin was 146 basis points in 2015, seven basis points lower compared to 2014, mainly reflecting larger gains from the sale of real estate in 2014, the impact of the deconsolidation of the cards issuing business and lower transaction-based revenues, partially offset by higher net interest income and a 2.5% decrease in average assets under management.

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

Net margin

Our net margin was 35 basis points in 2015, 13 basis points lower compared to 2014, reflecting larger gains from the sale of real estate in 2014, the impact of the deconsolidation of the cards issuing business, lower transaction-based revenues and higher total operating expenses, partially offset by higher net interest income and a 2.5% decrease in average assets under management.

Assets under management

As of the end of **2015**, assets under management of CHF 241.0 billion were CHF 17.6 billion lower compared to the end of 2014, reflecting a reclassification of CHF 15.8 billion of assets under management to assets under custody within client assets due to the introduction of an updated assets under management policy in the third quarter of 2015 and unfavorable foreign exchange-related movements, partially offset by net new assets of CHF 3.2 billion and favorable market movements. The net new assets reflected inflows primarily from >>>UHNWI, >>>HNWI, >>>affluent and retail clients.

> Refer to "Assets under management" in Assets under management for further information on the updated assets under management policy.

As of the end of **2014**, assets under management of CHF 258.6 billion were CHF 14.4 billion higher compared to the end of 2013, reflecting favorable market movements, net new assets of CHF 3.8 billion and favorable foreign exchange-related movements. The net new assets reflected inflows across all client segments.

Assets under management – Private Banking

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Assets under management (CHF billion)					
Assets under management	241.0	258.6	244.2	(6.8)	5.9
Average assets under management (CHF billion)					
Average assets under management	249.0	255.4	240.6	(2.5)	6.2
Assets under management by currency (CHF billion)					
USD	40.8	41.1	33.3	(0.7)	23.4
EUR	35.8	40.7	40.6	(12.0)	0.2
CHF	153.0	164.1	156.0	(6.8)	5.2
Other	11.4	12.7	14.3	(10.2)	(11.2)
Assets under management	**241.0**	**258.6**	**244.2**	(6.8)	5.9
Growth in assets under management (CHF billion)					
Net new assets	3.2	3.8	(2.5)	–	–
Other effects	(20.8)	10.6	23.4	–	–
of which market movements	1.7	6.1	13.4	–	–
of which foreign exchange	(4.9)	3.7	(0.8)	–	–
of which other	(17.6)	0.8	10.8	–	–
Growth in assets under management	**(17.6)**	**14.4**	**20.9**	–	–
Growth in assets under management (%)					
Net new assets	1.2	1.6	(1.1)	–	–
Other effects	(8.0)	4.3	10.5	–	–
Growth in assets under management	**(6.8)**	**5.9**	**9.4**	–	–

corporate & institutional Banking

Results – Corporate & Institutional Banking

			in	% change	
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**1,930**	**1,807**	**1,920**	7	(6)
Provision for credit losses	**89**	**34**	**(4)**	162	–
Compensation and benefits	616	607	638	1	(5)
General and administrative expenses	342	333	317	3	5
Commission expenses	86	85	82	1	4
Restructuring expenses	7	–	–	–	–
Total other operating expenses	435	418	399	4	5
Total operating expenses	**1,051**	**1,025**	**1,037**	3	(1)
Income before taxes	**790**	**748**	**887**	6	(16)
Statement of operations metrics (%)					
Cost/income ratio	54.5	56.7	54.0	–	–
Net revenue detail (CHF million)					
Net interest income	987	884	1,001	12	(12)
Recurring commissions and fees	467	452	436	3	4
Transaction-based revenues	498	497	499	0	0
Other revenues	(22)	(26)	(16)	(15)	63
Net revenues	**1,930**	**1,807**	**1,920**	7	(6)
Number of relationship managers					
Number of relationship managers	490	480	510	2	(6)

results

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

Net interest income

2015 vs 2014: Up 12% from CHF 884 million to CHF 987 million

The increase in net interest income reflected improved loan margins on stable average loan volumes, partially offset by lower deposit margins on slightly higher average deposit volumes.

2014 vs 2013: Down 12% from CHF 1,001 million to CHF 884 million

The decrease in net interest income reflected significantly lower deposit margins on higher average deposit volumes, partially offset by slightly higher loan margins on higher average loan volumes.

Recurring commissions and fees

2015 vs 2014: Up 3% from CHF 452 million to CHF 467 million

Recurring commissions and fees were slightly higher, reflecting higher investment product management fees and higher security account and custody services fees, partially offset by lower revenues from wealth structuring solutions.

2014 vs 2013: Up 4% from CHF 436 million to CHF 452 million

The increase reflected higher fees from lending activities, higher discretionary mandate management fees and higher asset management fees, partially offset by lower investment product management fees.

Transaction-based revenues

2015 vs 2014: Stable at CHF 498 million

Transaction-based revenues were stable with higher sales and trading revenues offset by lower corporate advisory fees related to integrated solutions and lower brokerage and product issuing fees.

2014 vs 2013: Stable CHF 497 million

Stable transaction-based revenues reflected lower sales and trading revenues, offset by higher corporate advisory fees related to integrated solutions.

Provision for credit losses

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

2015 vs 2014: Up 162% from CHF 34 million to CHF 89 million

The increase in provision for credit losses reflected a small number of individual cases.

2014 vs 2013: Up from CHF (4) million to CHF 34 million

Higher provision for credit losses reflected a small number of individual cases.

69

Compensation and benefits

2015 vs 2014: Stable at CHF 616 million

Compensation and benefits were stable, with higher salary expenses due to the holiday accrual recalibration offset by lower discretionary compensation expenses.

2014 vs 2013: Down 5% from CHF 638 million to CHF 607 million

Lower compensation and benefits mainly reflected lower salary expenses, partially offset by higher discretionary compensation expenses.

General and administrative expenses

2015 vs 2014: Up 3% from CHF 333 million to CHF 342 million

Slightly higher general and administrative expenses primarily reflected higher professional services fees.

2014 vs 2013: Up 5% from CHF 317 million to CHF 333 million

General and administrative expenses increased with higher infrastructure expenses, partially offset by lower professional services fees and contractor services fees.

Assets under management

As of the end of **2015**, assets under management of CHF 275.8 billion remained stable as net new assets primarily from Swiss pension funds of CHF 10.6 billion and favorable market movements were offset by a reclassification of CHF 8.3 billion of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in the third quarter of 2015 and unfavorable foreign exchange-related movements.

> Refer to “Assets under management” in Assets under management for further information on the updated assets under management policy.

As of the end of **2014**, assets under management of CHF 275.9 billion were CHF 25.9 billion higher compared to the end of 2013, reflecting favorable market movements, net new assets of CHF 5.5 billion and favorable foreign exchange-related movements. Net new assets reflected inflows from Swiss pension funds and insurance companies, partially offset by outflows from corporate clients.

International Wealth Management

In 2015, we reported income before taxes of CHF 709 million and net revenues of CHF 4,394 million.

Income before taxes decreased 42% compared to 2014, reflecting lower revenues primarily in Asset Management and higher total operating expenses primarily in Private Banking due to higher litigation provisions and restructuring expenses in connection with the implementation of the new strategy.

Divisional results

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**4,394**	**4,751**	**4,929**	(8)	(4)
Provision for credit losses	**3**	**12**	**8**	(75)	50
Compensation and benefits	2,044	2,138	2,149	(4)	(1)
General and administrative expenses	1,373	1,107	1,214	24	(9)
Commission expenses	232	282	341	(18)	(17)
Restructuring expenses	33	–	–	–	–
Total other operating expenses	1,638	1,389	1,555	18	(11)
Total operating expenses	**3,682**	**3,527**	**3,704**	4	(5)
Income before taxes	**709**	**1,212**	**1,217**	(42)	0
Statement of operations metrics (%)					
Return on regulatory capital	15.5	27.0	–	–	–
Cost/income ratio	83.8	74.2	75.1	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	4,076	3,930	4,099	4	(4)
Pre-tax return on average economic risk capital (%) [1]	18.1	31.7	30.6	–	–
Number of employees (full-time equivalents)					
Number of employees	9,100	8,700	8,700	5	0

1

Calculated using a return excluding interest costs for allocated goodwill.

71

Divisional results (continued)

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Net revenues (CHF million)					
Private Banking	3,066	3,127	3,129	(2)	0
Asset Management	1,328	1,624	1,800	(18)	(10)
Net revenues	**4,394**	**4,751**	**4,929**	(8)	(4)
Net revenue detail (CHF million)					
Net interest income	1,006	904	960	11	(6)
Recurring commissions and fees	1,965	2,232	2,222	(12)	0
Transaction- and performance-based revenues	1,449	1,554	1,764	(7)	(12)
Other revenues	(26)	61	(17)	–	–
Net revenues	**4,394**	**4,751**	**4,929**	(8)	(4)
Provision for credit losses (CHF million)					
New provisions	37	18	27	106	(33)
Releases of provisions	(34)	(6)	(19)	467	(68)
Provision for credit losses	**3**	**12**	**8**	(75)	50
Balance sheet statistics (CHF million)					
Total assets	94,033	92,466	80,336	2	15
Net loans	39,464	38,702	–	2	–
Risk-weighted assets	32,407	31,471	26,302	3	20
Leverage exposure	99,112	84,369	–	17	–

Results Summary

Full-year 2015 results

In 2015, International Wealth Management reported income before taxes of CHF 709 million and net revenues of CHF 4,394 million. Compared to 2014, net revenues decreased, with lower asset management fees following the change in fund management from Hedging-Griffo to a new venture in Brazil, Verde Asset Management, in which we have a significant investment, significantly lower performance fees and carried interest and lower other revenues, partially offset by higher net interest income. The decrease in other revenues primarily reflected a gain on the sale of the local affluent and upper affluent business in Italy recognized in the fourth quarter of 2014. Higher net interest income reflected slightly higher loan margins on higher average loan volumes, partially offset by lower deposit margins on higher average deposit volumes. Provision for credit losses was CHF 3 million in 2015 on a net loan portfolio of CHF 39.5 billion. Total operating expenses increased, reflecting higher litigation provisions and restructuring expenses, partially offset by lower discretionary compensation expenses.

Full-year 2014 results

In 2014, International Wealth Management reported income before taxes of CHF 1,212 million and net revenues of CHF 4,751 million. Compared to 2013, net revenues decreased with significantly lower performance fees and carried interest and lower net interest income, partially offset by higher other revenues. Lower net interest income reflected significantly lower deposit margins on stable average deposit volumes, partially offset by slightly lower loan margins on higher average loan volumes. The increase in other revenues reflected the gain on the sale of the local affluent and upper affluent business in Italy, the partial sale of an investment in Euroclear and a lower impairment related to Asset Management Finance LLC (AMF). Provision for credit losses was CHF 12 million on a net loan portfolio of CHF 38.7 billion. Total operating expenses decreased primarily due to lower general and administrative expenses.

Capital and leverage metrics

At the end of 2015, International Wealth Management reported risk-weighted assets of CHF 32.4 billion, an increase of CHF 0.9 billion compared to the end of 2014. Leverage exposure was CHF 99.1 billion, an increase of 17% compared to the end of 2014, mainly due to a change in the regulatory scope of consolidation.

Private Banking

Results – Private Banking

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**3,066**	**3,127**	**3,129**	(2)	0
Provision for credit losses	**3**	**12**	**8**	(75)	50
Compensation and benefits	1,343	1,373	1,385	(2)	(1)
General and administrative expenses	996	755	857	32	(12)
Commission expenses	168	192	205	(13)	(6)
Restructuring expenses	30	–	–	–	–
Total other operating expenses	1,194	947	1,062	26	(11)
Total operating expenses	**2,537**	**2,320**	**2,447**	9	(5)
Income before taxes	**526**	**795**	**674**	(34)	18
Statement of operations metrics (%)					
Cost/income ratio	82.7	74.2	78.2	–	–
Net revenue detail (CHF million)					
Net interest income	1,006	904	960	11	(6)
Recurring commissions and fees	1,161	1,276	1,322	(9)	(3)
Transaction- and performance-based revenues	891	871	849	2	3
Other revenues	8	76	(2)	(89)	–
Net revenues	**3,066**	**3,127**	**3,129**	(2)	0
Margins on assets under management (bp)					
Gross margin [1]	102	101	103	–	–
Net margin [2]	17	26	22	–	–
Number of relationship managers					
Number of relationship managers	1,190	1,200	1,280	(1)	(6)

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.

results

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

Net interest income

2015 vs 2014: Up 11% from CHF 904 million to CHF 1,006 million

Higher net interest income reflected slightly higher loan margins on higher average loan volumes, partially offset by lower deposit margins on higher average deposit volumes.

2014 vs 2013: Down 6% from CHF 960 million to CHF 904 million

Lower net interest income reflected significantly lower deposit margins on stable average deposit volumes, partially offset by slightly lower loan margins on higher average loan volumes.

Recurring commissions and fees

2015 vs 2014: Down 9% from CHF 1,276 million to CHF 1,161 million

Recurring commissions and fees decreased, reflecting lower investment product management fees primarily from Hedging-Griffo, lower security account and custody services fees, a decline in banking services fees and included the impact of lower assets under management, partially offset by higher revenues from wealth structuring solutions.

2014 vs 2013: Down 3% from CHF 1,322 million to CHF 1,276 million

Recurring commissions and fees were slightly lower, reflecting lower investment product management fees and lower asset management fees, partially offset by increases in investment advisory fees and discretionary mandate management fees.

Transaction- and performance-based revenues

2015 vs 2014: Up 2% from CHF 871 million to CHF 891 million

Transaction- and performance-based revenues increased slightly due to the extraordinary dividend from SIX Group and higher performance fees and sales and trading revenues, partially offset by lower brokerage and product issuing fees and lower corporate advisory fees related to integrated solutions.

2014 vs 2013: Up 3% from CHF 849 million to CHF 871 million

Transaction- and performance-based revenues increased slightly with higher corporate advisory fees related to integrated solutions and higher brokerage and product issuing fees, partially offset by lower performance fees and lower fees from foreign exchange client business.

Other revenues

2015 vs 2014: Down 89% from CHF 76 million to CHF 8 million

The decrease in other revenues primarily reflected the gain of CHF 55 million on the sale of the local affluent and upper affluent business in Italy and a gain of CHF 22 million related to the partial sale of our investment in Euroclear in 2014. 2015 included a gain of CHF 11 million on the partial sale of our investment in Euroclear.

2014 vs 2013: Up from CHF (2) million to CHF 76 million

Higher other revenues in 2014 reflected the gain on the sale of the local affluent and upper affluent business in Italy and the gain related to the partial sale of our investment in Euroclear.

Compensation and benefits

2015 vs 2014: Down 2% from CHF 1,373 million to CHF 1,343 million

Compensation and benefits were slightly lower, reflecting lower discretionary compensation expenses, partially offset by higher salary expenses due to a recalibration of Swiss holiday accruals.

2014 vs 2013: Stable at CHF 1,373 million

Compensation and benefits were stable, reflecting lower salary expenses, offset by higher deferred compensation expenses from prior-year awards.

General and administrative expenses

2015 vs 2014: Up 32% from CHF 755 million to CHF 996 million

General and administrative expenses increased mainly driven by higher litigation provisions. Excluding significant litigation provisions of CHF 268 million in 2015 compared to CHF 51 million in 2014, general and administrative expenses increased slightly.

2014 vs 2013: Down 12% from CHF 857 million to CHF 755 million

Lower general and administrative expenses included lower travel and entertainment and lower occupancy expenses.

margins

Gross margin

Our gross margin was 102 basis points in 2015, one basis point higher compared to 2014, mainly reflecting higher net interest income and a 2.6% decrease in average assets under management, partially offset by lower recurring commissions and fees and lower other revenues.

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

Net margin

Our net margin was 17 basis points in 2015, nine basis points lower compared to 2014, reflecting higher total operating expenses, lower recurring commissions and fees and lower other revenues, partially offset by higher net interest income and a 2.6% decrease in average assets under management. Excluding the gain on the sale of the local affluent and upper affluent business in Italy in 2014, the significant litigation provisions and the gains related to the partial sale of our investment in Euroclear in 2015 and 2014, our net margin was 27 basis points in 2015, two basis points higher compared to 2014.

Assets under management

As of the end of **2015**, assets under management of CHF 289.6 billion were CHF 34.1 billion lower compared to the end of 2014, reflecting unfavorable foreign exchange-related movements, a reclassification of CHF 11.1 billion of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in the third quarter of 2015 and net asset outflows of CHF 3.0 billion, partially offset by favorable market movements. The net asset outflows mainly reflected the impact of regularization and pricing changes on cash deposits.

> Refer to “Assets under management” in Assets under management for further information on the updated assets under management policy.

As of the end of **2014**, assets under management of CHF 323.7 billion were CHF 25.9 billion higher compared to the end of 2013, reflecting favorable foreign exchange-related and market movements and net new assets of CHF 7.3 billion. The net new assets reflected inflows across all our business regions.

Assets under management – Private Banking

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Assets under management (CHF billion)					
Assets under management	289.6	323.7	297.8	(10.5)	8.7
Average assets under management (CHF billion)					
Average assets under management	301.3	309.4	303.5	(2.6)	1.9
Assets under management by currency (CHF billion)					
USD	137.4	148.8	128.8	(7.7)	15.5
EUR	88.5	99.2	97.6	(10.8)	1.6
CHF	22.4	23.2	22.8	(3.4)	1.8
Other	41.3	52.5	48.6	(21.3)	8.0
Assets under management	**289.6**	**323.7**	**297.8**	(10.5)	8.7
Growth in assets under management (CHF billion)					
Net new assets	(3.0)	7.3	10.3	–	–
Other effects	(31.1)	18.6	(16.9)	–	–
of which market movements	2.7	9.2	5.1	–	–
of which foreign exchange	(18.9)	13.5	(6.8)	–	–
of which other	(14.9)	(4.1)	(15.2)	–	–
Growth in assets under management	**(34.1)**	**25.9**	**(6.6)**	–	–
Growth in assets under management (%)					
Net new assets	(0.9)	2.5	3.4	–	–
Other effects	(9.6)	6.2	(5.6)	–	–
Growth in assets under management	**(10.5)**	**8.7**	**(2.2)**	–	–

asset management

Results – Asset Management

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**1,328**	**1,624**	**1,800**	(18)	(10)
Provision for credit losses	**0**	**0**	**0**	–	–
Compensation and benefits	701	765	764	(8)	0
General and administrative expenses	377	352	357	7	(1)
Commission expenses	64	90	136	(29)	(34)
Restructuring expenses	3	–	–	–	–
Total other operating expenses	444	442	493	0	(10)
Total operating expenses	**1,145**	**1,207**	**1,257**	(5)	(4)
Income before taxes	**183**	**417**	**543**	(56)	(23)
Statement of operations metrics (%)					
Cost/income ratio	86.2	74.3	69.8	–	–
Net revenue detail (CHF million)					
Recurring commissions and fees	804	956	900	(16)	6
Transaction- and performance-based revenues	558	683	915	(18)	(25)
Other revenues	(34)	(15)	(15)	127	0
Net revenues	**1,328**	**1,624**	**1,800**	(18)	(10)
Net revenue detail by type (CHF million)					
Traditional investments	537	543	579	(1)	(6)
Alternative investments	791	1,081	1,221	(27)	(11)
Net revenues	**1,328**	**1,624**	**1,800**	(18)	(10)

Recurring commissions and fees includes asset management-related fees. Transaction- and performance-based revenues arise primarily from performance-based fees related to assets under management and custody assets, placement fees, equity participations income, trading and sales income and other transaction- and performance-based income. Other revenues include investment-related gains and losses and equity participations and other gains and losses.

results

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

Recurring commissions and fees

2015 vs 2014: Down 16% from CHF 956 million to CHF 804 million

Recurring commissions and fees decreased, reflecting the absence of asset management fees from Hedging-Griffo following the change in fund management from Hedging-Griffo to Verde Asset Management.

2014 vs 2013: Up 6% from CHF 900 million to CHF 956 million

Recurring commissions and fees increased, reflecting an increase in asset management fees mainly from alternative investments.

Transaction- and performance-based revenues

2015 vs 2014: Down 18% from CHF 683 million to CHF 558 million

Transaction- and performance-based revenues decreased, with significantly lower performance fees and carried interest and lower placement fees, partially offset by a significant increase in equity participations income.

2014 vs 2013: Down 25% from CHF 915 million to CHF 683 million

Transaction- and performance-based revenues decreased, with significantly lower performance fees, partially offset by a significant increase in equity participations income.

Other revenues

2015 vs 2014: Down from CHF (15) million to CHF (34) million

In 2015, we recognized investment-related losses in hedge fund investments, partially offset by an equity participation gain related to AMF.

2014 vs 2013: Stable at CHF (15) million

In 2014, we recognized a lower impairment related to AMF, offset by lower investment-related gains.

Compensation and benefits

2015 vs 2014: Down 8% from CHF 765 million to CHF 701 million

Lower compensation and benefits reflected lower salary expenses, mainly driven by the change in fund management from Hedging-Griffo to Verde Asset Management and lower discretionary compensation expenses, partially offset by higher deferred compensation expenses from prior-year awards.

2014 vs 2013: Stable at CHF 765 million

Compensation and benefits were stable reflecting higher salary expenses, offset by lower deferred compensation expenses from prior-year awards.

General and administrative expenses

2015 vs 2014: Up 7% from CHF 352 million to CHF 377 million

General and administrative expenses increased with higher professional services fees.

2014 vs 2013: Stable at CHF 352 million

General and administrative expenses were stable across most expense categories.

Assets under management

As of the end of **2015**, assets under management of CHF 321.3 billion were CHF 16.1 billion higher compared to the end of 2014, reflecting net new assets of CHF 26.5 billion partially offset by unfavorable foreign exchange-related movements. Net new assets reflected inflows primarily from traditional products, including inflows from a joint venture in emerging markets and in index solutions and credit products.

As of the end of **2014**, assets under management of CHF 305.2 billion were CHF 35.1 billion higher compared to the end of 2013, reflecting favorable market and foreign exchange-related movements and net new assets of CHF 6.5 billion. The net new assets reflected inflows primarily from traditional products, including inflows from a joint venture in emerging markets and in index solutions and credit products, partially offset by outflows that resulted from the change in fund management from Hedging-Griffo to Verde Asset Management.

Assets under management – Asset Management

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Assets under management (CHF billion)					
Traditional investments	239.9	223.8	193.5	7.2	15.7
Alternative investments	81.4	81.4	76.6	–	6.3
Assets under management	**321.3**	**305.2**	**270.1**	5.3	13.0
Average assets under management (CHF billion)					
Average assets under management	312.4	292.8	261.6	6.7	11.9
Assets under management by currency (CHF billion)					
USD	88.1	89.0	75.5	(1.0)	17.9
EUR	42.1	42.2	52.4	(0.2)	(19.5)
CHF	148.9	140.7	111.7	5.8	26.0
Other	42.2	33.3	30.5	26.7	9.2
Assets under management	**321.3**	**305.2**	**270.1**	5.3	13.0
Growth in assets under management (CHF billion)					
Net new assets [1]	26.5	6.5	15.9	–	–
Other effects	(10.4)	28.6	8.6	–	–
of which market movements	0.7	16.1	13.6	–	–
of which foreign exchange	(8.0)	9.3	(5.5)	–	–
of which other	(3.1)	3.2	0.5	–	–
Growth in assets under management	**16.1**	**35.1**	**24.5**	–	–
Growth in assets under management (%)					
Net new assets	8.7	2.4	6.5	–	–
Other effects	(3.4)	10.6	3.5	–	–
Growth in assets under management	**5.3**	**13.0**	**10.0**	–	–

1
Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
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Asia Pacific

In 2015, we reported income before taxes of CHF 377 million, including a goodwill impairment charge of CHF 756 million in Investment Banking, and net revenues of CHF 3,839 million.

Income before taxes decreased 58% compared to 2014, mainly reflecting higher total operating expenses, partially offset by higher net revenues reflecting a strong performance in 2015. Excluding the goodwill impairment charge, income before taxes was CHF 1,133 million in 2015.

Divisional results

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**3,839**	**3,335**	**3,018**	15	11
Provision for credit losses	**35**	**40**	**(7)**	(13)	–
Compensation and benefits	1,557	1,425	1,326	9	7
General and administrative expenses	790	721	710	10	2
Commission expenses	321	249	237	29	5
Goodwill impairment	756	–	–	–	–
Restructuring expenses	3	–	–	–	–
Total other operating expenses	1,870	970	947	93	2
Total operating expenses	**3,427**	**2,395**	**2,273**	43	5
Income before taxes	**377**	**900**	**752**	(58)	20
Statement of operations metrics (%)					
Return on regulatory capital	6.7	13.1	–	–	–
Cost/income ratio	89.3	71.8	75.3	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	3,366	2,974	2,361	13	26
Pre-tax return on average economic risk capital (%) [1]	11.2	30.3	31.9	–	–
Number of employees (full-time equivalents)					
Number of employees	6,700	5,900	5,500	14	7

1

Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Net revenues (CHF million)					
Private Banking	1,178	1,037	964	14	8
Investment Banking	2,661	2,298	2,054	16	12
Net revenues	**3,839**	**3,335**	**3,018**	15	11
Provision for credit losses (CHF million)					
New provisions	74	50	11	48	355
Releases of provisions	(39)	(10)	(18)	290	(44)
Provision for credit losses	**35**	**40**	**(7)**	(13)	–
Balance sheet statistics (CHF million)					
Total assets	85,929	105,574	98,672	(19)	7
Net loans	35,913	32,952	–	9	–
Risk-weighted assets	27,624	27,139	22,349	2	21
Leverage exposure	98,698	137,843	–	(28)	–

Results Summary

Full-year 2015 results

In 2015, we reported income before taxes of CHF 377 million and net revenues of CHF 3,839 million. Compared to 2014, income before taxes decreased, reflecting higher total operating expenses, partially offset by higher net revenues reflecting a strong performance in 2015, particularly in equity sales and trading and from the >>>UHNWI and >>>HNWI client business. Higher revenues in equity sales and trading were driven by increased client activity and favorable trading conditions. Private Banking revenues were higher, reflecting increases in net interest income, transaction-based revenues and recurring commissions and fees. Lower fixed income sales and trading revenues were primarily driven by emerging markets, partially offset by an increase in global macro products. Underwriting and advisory revenues declined compared to strong 2014 results, which included a significant client transaction, driven by a slowdown in underwriting activity due to unfavorable market conditions. Compared to 2014, total operating expenses of CHF 3,427 million increased 43% reflecting the goodwill impairment charge in Investment Banking, increased compensation expenses driven by growth-related higher headcount, higher commission expenses and higher general and administrative expenses. Excluding the goodwill impairment charge, income before taxes was CHF 1,133 million in 2015.

Full-year 2014 results

In 2014, we reported income before taxes of CHF 900 million and net revenues of CHF 3,335 million. Compared to 2013, income before taxes increased 20% due to higher net revenues reflecting strong performance in 2014 in fixed income and equity sales and trading as well as from the UHNWI and HNWI client business, partially offset by higher operating expenses. Higher fixed income sales and trading revenues were primarily driven by emerging markets mainly from financing activities. Higher revenues in equity sales and trading were driven by high levels of client activity in derivatives, partially offset by lower revenues from systematic market making. Private Banking revenues were higher reflecting increases in transaction-based revenues and recurring commissions and fees, partially offset by lower net interest income. Compared to 2013, total operating expenses of CHF 2,395 million increased 5%, reflecting increased compensation expenses, partially related to growth-related higher headcount, higher commission expenses and higher general and administrative expenses.

Capital and leverage metrics

At the end of 2015, we reported risk-weighted assets of CHF 27.6 billion, an increase of CHF 0.5 billion compared to the end of 2014. Leverage exposure was CHF 98.7 billion, reflecting a decrease of 28% compared to the end of 2014. This decrease was primarily driven by business optimizations of the balance sheet during 2015, primarily in global macro and prime services products.

Private Banking

Results – Private Banking

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**1,178**	**1,037**	**964**	14	8
Provision for credit losses	**18**	**4**	**1**	350	300
Compensation and benefits	522	455	420	15	8
General and administrative expenses	244	228	244	7	(7)
Commission expenses	49	40	40	23	–
Restructuring expenses	1	–	–	–	–
Total other operating expenses	294	268	284	10	(6)
Total operating expenses	**816**	**723**	**704**	13	3
Income before taxes	**344**	**310**	**259**	11	20
Statement of operations metrics (%)					
Cost/income ratio	69.3	69.7	73.0	–	–
Net revenue detail (CHF million)					
Net interest income	445	389	402	14	(3)
Recurring commissions and fees	260	237	199	10	19
Transaction-based revenues	456	411	363	11	13
Other revenues	17	0	0	–	–
Net revenues	**1,178**	**1,037**	**964**	14	8
Margins on assets under management (bp)					
Gross margin [1]	79	76	–	–	–
Net margin [2]	23	23	–	–	–
Number of relationship managers					
Number of relationship managers	590	520	470	13	11

Net interest income includes a term spread credit on deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management and discretionary mandate fees. Transaction-based revenues arise mainly from brokerage and product issuing fees, foreign exchange fees from client transactions and corporate advisory fees. Other revenues primarily include gains and losses on credit hedges that generally offset corresponding increases or releases of provision for credit losses.

1

Net revenues divided by average assets under management.

2

Income before taxes divided by average assets under management.

Results

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

Net interest income

2015 vs 2014: Up 14% from CHF 389 million to CHF 445 million

The increase in net interest income reflected higher loan and deposit margins on higher average volumes.

2014 vs 2013: Down 3% from CHF 402 million to CHF 389 million

The decrease in net interest income reflected lower loan and deposit margins on higher average volumes.

Recurring commissions and fees

2015 vs 2014: Up 10% from CHF 237 million to CHF 260 million

The increase in recurring commissions and fees reflected higher discretionary mandate management fees, wealth structuring solution fees and investment product management fees.

2014 vs 2013: Up 19% from CHF 199 million to CHF 237 million

The increase in recurring commissions and fees reflected higher investment advisory fees, discretionary mandate management fees and wealth structuring solution fees.

Transaction-based revenues

2015 vs 2014: Up 11% from CHF 411 million to CHF 456 million

Higher transaction-based revenues reflected higher fees from the foreign exchange client business and higher brokerage and product issuing fees, partially offset by lower corporate advisory fees arising from integrated solutions.

2014 vs 2013: Up 13% from CHF 363 million to CHF 411 million
Higher transaction-based revenues reflected higher brokerage and product issuing fees and corporate advisory fees arising from integrated solutions, partially offset by lower fees from the foreign exchange client business.
Provision for credit losses
The Private Banking loan portfolio is primarily comprised of >>>lombard loans, mainly backed by listed securities.
2015 vs 2014: Up 350% from CHF 4 million to CHF 18 million
The increase in provision for credit losses reflected a small number of individual cases and was offset by gains from related credit hedges recorded in other revenues.
2014 vs 2013: Up 300% from CHF 1 million to CHF 4 million
Provision for credit losses in 2014 remained at a low level.
Compensation and benefits
2015 vs 2014: Up 15% from CHF 455 million to CHF 522 million
Compensation and benefits increased driven by higher salaries and discretionary compensation reflecting growth-related higher headcount.
2014 vs 2013: Up 8% from CHF 420 million to CHF 455 million
Compensation and benefits increased driven by higher salaries and discretionary compensation reflecting growth-related higher headcount, and higher deferred compensation expenses from prior-year awards.
General and administrative expenses
2015 vs 2014: Up 7% from CHF 228 million to CHF 244 million
General and administrative expenses increased mainly due to higher litigation provisions and other administrative and infrastructure expenses.
2014 vs 2013: Down 7% from CHF 244 million to CHF 228 million
General and administrative expenses decreased mainly due to lower litigation provisions.
Margins
Gross margin
Our gross margin was 79 basis points in 2015, three basis points higher compared to 2014, mainly reflecting higher net interest income, higher transaction-based revenues and higher recurring commissions and fees, partially offset by a 9.5% increase in average assets under management.
> Refer to "Assets under management" for further information.
Net margin
Our net margin was 23 basis points in 2015, stable compared to 2014, mainly reflecting higher net interest income, higher transaction-based revenues and higher recurring commissions and fees, partially offset by higher total operating expenses and the 9.5% increase in average assets under management.
Assets under management
As of the end of 2015, assets under management remained stable at CHF 150.4 billion compared to the end of 2014 as net new assets of CHF 17.8 billion were offset by a reclassification of CHF 9.1 billion assets under management to assets under custody within client assets due to the introduction of an updated assets under management policy in the third quarter of 2015 as well as unfavorable market and foreign exchange-related movements. Net new assets reflected inflows primarily from the Greater China and South East Asia markets.
> Refer to "Assets under management" in Assets under management for further information on the updated assets under management policy.
As of the end of 2014, assets under management of CHF 150.5 billion were CHF 29.2 billion higher compared to the end of 2013, reflecting net new assets of CHF 17.5 billion, favorable foreign exchange-related movements and positive market movements. Net new assets reflected inflows primarily from the Greater China and South East Asia markets.

Assets under management – Private Banking

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Assets under management (CHF billion)					
Assets under management	150.4	150.5	121.3	(0.1)	24.1
Average assets under management (CHF billion)					
Average assets under management	150.0	137.0	–	9.5	–
Assets under management by currency (CHF billion)					
USD	66.5	57.9	44.1	14.9	31.3
EUR	4.7	5.4	4.8	(13.0)	12.5
CHF	2.3	2.0	2.2	15.0	(9.1)
Other	76.9	85.2	70.2	(9.7)	21.4
Assets under management	**150.4**	**150.5**	**121.3**	(0.1)	24.1
Growth in assets under management (CHF billion)					
Net new assets	17.8	17.5	11.8	–	–
Other effects	(17.9)	11.7	(2.4)	–	–
of which market movements	(4.9)	2.4	8.9	–	–
of which currency	(3.4)	10.4	(7.0)	–	–
of which other	(9.6)	(1.1)	(4.3)	–	–
Growth in assets under management	**(0.1)**	**29.2**	**9.4**	–	–
Growth in assets under management (%)					
Net new assets	11.8	14.4	–	–	–
Other effects	(11.9)	9.7	–	–	–
Growth in assets under management	**(0.1)**	**24.1**	**–**	–	–

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Investment Banking

Results – Investment Banking

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**2,661**	**2,298**	**2,054**	16	12
Provision for credit losses	**17**	**36**	**(8)**	(53)	–
Compensation and benefits	1,035	970	906	7	7
General and administrative expenses	546	493	466	11	6
Commission expenses	272	209	197	30	6
Goodwill impairment	756	–	–	–	–
Restructuring expenses	2	–	–	–	–
Total other operating expenses	1,576	702	663	125	6
Total operating expenses	**2,611**	**1,672**	**1,569**	56	7
Income before taxes	**33**	**590**	**493**	(94)	20
Statement of operations metrics (%)					
Cost/income ratio	98.1	72.8	76.4	–	–
Net revenue detail (CHF million)					
Fixed income sales and trading	608	653	473	(7)	38
Equity sales and trading	1,872	1,383	1,295	35	7
Underwriting and advisory	292	397	394	(26)	1
Other revenues	(111)	(135)	(108)	(18)	25
Net revenues	**2,661**	**2,298**	**2,054**	16	12

Fixed income sales and trading includes global macro products, emerging markets trading and financing and credit. Equity sales and trading includes cash equities, derivatives, prime services and systematic market making. Underwriting and advisory includes debt and equity underwriting and advisory and other fees. Other revenues primarily include integrated solutions revenues paid to other businesses.

Results

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

Fixed income sales and trading

2015 vs 2014: Down 7% from CHF 653 million to CHF 608 million

Lower fixed income sales and trading revenues were primarily driven by emerging markets mainly from financing activities, partially offset by an increase in global macro products driven by increased client activity.

2014 vs 2013: Up 38% from CHF 473 million to CHF 653 million

Higher fixed income sales and trading revenues were primarily driven by emerging markets mainly from financing activities driven by increased client activity.

Equity sales and trading

2015 vs 2014: Up 35% from CHF 1,383 million to CHF 1,872 million

Higher equity sales and trading revenues reflected increased client activity and favorable trading conditions, primarily in derivatives and systematic market making.

2014 vs 2013: Up 7% from CHF 1,295 million to CHF 1,383 million

Higher equity sales and trading revenues reflected high levels of client activity, primarily in derivatives, partially offset by lower revenues from systematic market making.

Underwriting and advisory

2015 vs 2014: Down 26% from CHF 397 million to CHF 292 million

Underwriting and advisory revenues decreased, reflecting declines in IPO and related follow-on activities, M&A transactions and the impact of a significant client transaction in 2014.

2014 vs 2013: Stable at CHF 397 million

Underwriting and advisory revenues were stable as revenues from a significant client transaction in 2014 were offset by lower debt underwriting revenues.

Provision for credit losses

The Investment Banking loan portfolio is primarily comprised of secured and unsecured corporate loans.

2015 vs 2014: Down 53% from CHF 36 million to CHF 17 million

Provision for credit losses decreased mainly reflecting additional provisions on existing impaired loans in 2015 compared to new impaired loans in 2014.

2014 vs 2013: Up from CHF (8) million to CHF 36 million

The increase in provision for credit losses reflected a small number of individual cases.

Compensation and benefits

2015 vs 2014: Up 7% from CHF 970 million to CHF 1,035 million

Compensation and benefits increased driven by higher deferred compensation expenses from prior-year awards and higher salaries and discretionary compensation reflecting growth-related higher headcount.

2014 vs 2013: Up 7% from CHF 906 million to CHF 970 million

Compensation and benefits increased driven by higher discretionary compensation and higher deferred compensation expenses from prior-year awards.

General and administrative expenses

2015 vs 2014: Up 11% from CHF 493 million to CHF 546 million

General and administrative expenses increased, mainly due to higher litigation provisions, higher other administrative expenses and increased training and consulting expenses.

2014 vs 2013: Up 6% from CHF 466 million to CHF 493 million

General and administrative expenses increased, mainly due to higher other administrative expenses, partially offset by lower litigation provisions and lower occupancy expenses.

Global Markets

In 2015, Global Markets reported a loss before taxes of CHF 1,944 million, including a goodwill impairment charge of CHF 2,661 million, and net revenues of CHF 7,391 million. Net revenues declined 14% compared to 2014, reflecting challenging trading conditions, low levels of client activity and decreased issuance activity.

Divisional results

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**7,391**	**8,613**	**8,974**	(14)	(4)
Provision for credit losses	**13**	**7**	**17**	86	(59)
Compensation and benefits	3,418	3,332	3,271	3	2
General and administrative expenses	2,546	2,063	2,090	23	(1)
Commission expenses	592	554	584	7	(5)
Goodwill impairment	2,661	0	0	–	–
Restructuring expenses	105	–	–	–	–
Total other operating expenses	5,904	2,617	2,674	126	(2)
Total operating expenses	**9,322**	**5,949**	**5,945**	57	–
Income/(loss) before taxes	**(1,944)**	**2,657**	**3,012**	–	(12)
Statement of operations metrics (%)					
Return on regulatory capital	(10.0)	14.0	–	–	–
Cost/income ratio	126.1	69.1	66.2	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	13,248	12,146	10,705	9	13
Pre-tax return on average economic risk capital (%) [1]	(14.0)	22.7	29.1	–	–
Balance sheet statistics (CHF million, except where indicated)					
Total assets	262,201	365,580	359,563	(28)	2
Risk-weighted assets	73,706	73,280	73,300	1	0
Risk-weighted assets (USD)	74,514	74,048	82,373	1	(10)
Leverage exposure	313,315	412,316	–	(24)	–
Leverage exposure (USD)	316,752	416,639	–	(24)	–
Number of employees (full-time equivalents)					
Number of employees	13,000	11,900	12,100	9	(2)

1
Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

			in	% change	
	2015	2014	2013	15 / 14	14 / 13
Net revenue detail (CHF million)					
Fixed income sales and trading	3,815	4,743	4,692	(20)	1
Equity sales and trading	2,787	2,969	3,288	(6)	(10)
Underwriting	994	1,098	1,108	(9)	(1)
Other	(205)	(197)	(114)	4	73
Net revenues	**7,391**	**8,613**	**8,974**	(14)	(4)

Results Summary

Full-year 2015 results

In 2015, we reported a loss before taxes of CHF 1,944 million, including the goodwill impairment charge of CHF 2,661 million, and net revenues of CHF 7,391 million. Net revenues declined 14% compared to 2014, reflecting challenging trading conditions, low levels of client activity and decreased issuance activity. Fixed income sales and trading revenues declined 20%, driven by mark-to-market losses across our yield businesses. Global credit products revenues declined, primarily due to mark-to-market losses on client inventory reflecting a significant deterioration in US high yield markets, particularly in the second half of the year. In addition, securitized products revenues declined compared to strong performance in 2014 as weakness in non-agency and agency results, in part due to mark-to-market losses on client inventory, offset significant revenue growth in our asset finance franchise. Emerging markets revenues declined, primarily due to lower client financing activity and weaker trading performance across all regions. These declines were partially offset by higher global macro products revenues as increased volatility led to improved client activity. Equity sales and trading revenues declined 6%, primarily due to lower cash equities results that reflected less favorable market conditions, particularly in Latin America where we have a strong market position. In addition, derivatives revenues declined slightly, reflecting lower fund-linked products performance. These declines were partially offset by higher systematic market making revenues, albeit from subdued levels in 2014. Prime services results increased slightly despite significantly reduced leverage exposure, reflecting continued progress on our client portfolio optimization strategy. Underwriting revenues declined 9%, primarily due to weak debt underwriting revenues, reflecting lower leveraged finance activity in the US. Equity underwriting results were stable compared to 2014. Total operating expenses were CHF 9,322 million, up 57% compared to 2014, and included the goodwill impairment charge of CHF 2,661 million. Compensation and benefits increased 3% to CHF 3,418 million, reflecting the foreign exchange impact of the strengthening of the US dollar against the Swiss Franc and higher salaries. In US dollars, compensation and benefits declined 3%, reflecting lower deferred compensation from prior year awards and lower discretionary compensation expenses.

Full-year 2014 results

In 2014, revenues reflected the recognition of funding valuation adjustments of CHF 108 million. Net revenues were down 4%, reflecting lower results in equity sales and trading that offset stable performance in fixed income sales and trading. Fixed income sales and trading revenues were stable compared to 2013 as continued momentum in our securitized products franchise offset lower global macro products and global credit products revenues. Equity sales and trading revenues declined 10%, across most products reflecting low volumes and volatility in the year and compared to a strong 2013 performance. Underwriting revenues were stable as strong equity underwriting issuance offset lower debt underwriting results. Total operating expenses of CHF 5,945 million were stable compared to 2013. Compensation and benefits increased 2% to CHF 3,332 million, reflecting higher deferred compensation expense from prior-year awards and higher salary expenses. Total other operating expenses were down 2% compared to 2013 reflecting lower commission expenses.

Capital and leverage metrics

At the end of 2015, Global Markets reported risk-weighted assets of USD 74.5 billion, an increase of USD 0.5 billion compared to the end of 2014. This increase was driven by uplifts from methodology and higher operational risk RWA partially offset by business reductions of USD 2 billion. Leverage exposure was USD 316.8 billion, reflecting a decrease of USD 99.9 billion compared to the end of 2014, due to our balance sheet reduction initiative.

Results detail

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013. Share of wallet refers to our share of the overall fee pool for the respective products.

Fixed income sales and trading

2015 vs 2014: Down 20% from CHF 4,743 million to CHF 3,815 million

Fixed income sales and trading revenues declined significantly, primarily driven by weak performance in our yield businesses, particularly global credit products and securitized products. During the second half of 2015, a significant widening in US high yield spreads, comparable to peak 2011 levels, resulted in reduced client activity and low levels of market liquidity. As a result, global credit products significantly declined primarily due to mark-to-market losses on client inventory, particularly in our US distressed high yield trading portfolio, as fund redemptions resulted in an accelerated market sell-off. In addition, securitized products revenues decreased significantly, driven by mark-to-market losses in non-agency collateralized loan obligations (CLO) and non-agency commercial mortgage-backed securities (CMBS). We also incurred mark-to-market losses in agency CMBS as swaps tightened in a difficult macro environment. Emerging markets revenues declined, reflecting weak performance across all regions, particularly in Latin America, and our financing business. Global macro products results increased, primarily due to improved US rates performance from increased client activity following the US Federal Reserve rate hike.

2014 vs 2013: Stable at CHF 4,743 million

Fixed income sales and trading revenues were stable, primarily driven by strong performance in securitized products, reflecting growth across trading and origination from our efforts to diversify the franchise. This increase was partially offset by lower revenues in global macro products as subdued client activity and low volatility in the first half of the year offset improved trading conditions in the second half of the year. We also had lower revenues in our credit franchise as lower leveraged finance origination activity, due to increased market volatility, resulted in weaker trading performance. Emerging markets revenues declined, reflecting weak performance in Latin America. Our results also include the adverse impact of the recognition of funding valuation adjustments (FVA) of CHF 95 million in the fourth quarter of 2014.

Equity sales and trading

2015 vs 2014: Down 6% from CHF 2,969 million to CHF 2,787 million

Equity sales and trading revenues declined, primarily driven by weak cash equities performance due to difficult trading conditions in Latin America, where we have a strong market position. Derivatives results declined slightly, reflecting lower fund-linked products performance. These declines were partially offset by higher systematic market making revenues reflecting increased market volatility. We also had slightly increased prime services revenues despite significantly reduced leverage exposure, reflecting continued progress on our client portfolio optimization strategy.

2014 vs 2013: Down 10% from CHF 3,288 million to CHF 2,969 million

The lower revenues results reflected less favorable trading conditions, such as low volumes and low levels of volatility in the year. We had significantly weaker results in systematic market making following a strong performance in 2013. We also had lower cash equities results, reflecting difficult market conditions and subdued activity in Brazil. Derivatives revenues declined, reflecting weak performance across the Americas and EMEA. The decline was partially offset by increased revenues in prime services, reflecting a strong market share, continued portfolio optimization and increased trading and clearing activity.

Underwriting

2015 vs 2014: Down 9% from CHF 1,098 million to CHF 994 million

Underwriting revenues declined, primarily due to weak debt underwriting revenues, reflecting lower leveraged finance activity in the US, but partially offset by higher investment grade revenues. Equity underwriting results were stable compared to 2014.

2014 vs 2013: Stable at CHF 1,098 million

Underwriting revenues were stable as higher equity underwriting results from higher industry-wide issuance activity across products were offset by lower debt underwriting revenues as a result of a decline in our investment grade business.

Compensation and benefits

2015 vs 2014: Up 3% from CHF 3,332 million to CHF 3,418 million

Compensation and benefits increased, reflecting the foreign exchange impact of the strengthening of the US dollar against the Swiss Franc and higher salaries. In US dollars, compensation and benefits declined 3%, reflecting lower deferred compensation expenses from prior-year awards and lower discretionary compensation expenses.

2014 vs 2013: Up 2% from CHF 3,271 million to CHF 3,332 million

The increase was primarily driven by higher deferred compensation expenses from prior-year awards and higher salary expenses.

General and administrative expenses

2015 vs 2014: Up 23% from CHF 2,063 million to CHF 2,546 million

Expenses increased significantly, reflecting increased investments in our risk, regulatory and compliance infrastructure and higher litigation provisions.

2014 vs 2013: Stable at CHF 2,063 million

Expenses were stable as lower infrastructure costs and lower UK bank levy expenses, partially offset by higher litigation provisions.

Investment Banking & Capital Markets

In 2015, Investment Banking & Capital Markets reported a loss before taxes of CHF 353 million, including a goodwill impairment charge of CHF 380 million, and net revenues of CHF 1,752 million. Volatile markets made for a challenging year compared to 2014. Profitability was negatively impacted by lower underwriting revenues and mark-to-market losses in the underwriting and lending portfolio.

Divisional results

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**1,752**	**2,106**	**2,014**	(17)	5
Provision for credit losses	**3**	**(2)**	**0**	–	–
Compensation and benefits	1,266	1,188	1,056	7	13
General and administrative expenses	432	409	376	6	9
Commission expenses	2	3	1	(33)	200
Goodwill impairment	380	0	0	–	–
Restructuring expenses	22	–	–	–	–
Total other operating expenses	836	412	377	103	9
Total operating expenses	**2,102**	**1,600**	**1,433**	31	12
Income/(loss) before taxes	**(353)**	**508**	**581**	–	(13)
Statement of operations metrics (%)					
Return on regulatory capital	(15.0)	26.2	–	–	–
Cost/income ratio	120.0	76.0	71.2	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	4,358	3,893	3,248	12	20
Pre-tax return on average economic risk capital (%) [1]	(8.1)	13.0	17.9	–	–
Balance sheet statistics (CHF million, except where indicated)					
Total assets	19,800	14,928	6,662	33	124
Risk-weighted assets	17,824	13,870	11,210	29	24
Risk-weighted assets (USD)	18,020	14,015	12,598	29	11
Leverage exposure	42,861	42,017	–	2	–
Leverage exposure (USD)	43,331	42,457	–	2	–
Number of employees (full-time equivalents)					
Number of employees	2,800	2,400	2,400	17	–

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Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

			in	% change	
	2015	2014	2013	15 / 14	14 / 13
Net revenue detail (CHF million)					
Debt underwriting	852	1,064	1,055	(20)	1
Equity underwriting	376	494	402	(24)	23
Advisory and other fees	705	584	553	21	6
Other	(181)	(36)	4	403	–
Net revenues	**1,752**	**2,106**	**2,014**	(17)	5

Results Summary

Full-year 2015 results

In 2015, Investment Banking & Capital Markets reported a loss before taxes of CHF 353 million, including the goodwill impairment charge of CHF 380 million, and net revenues of CHF 1,752 million. Net revenues declined 17% compared to 2014. Debt underwriting revenues of CHF 852 million were down 20% on lower leveraged finance revenues and significant mark-to-market losses related to our underwriting commitments and lending portfolio. Equity underwriting revenues of CHF 376 million were down 24%, primarily reflecting a decrease in the overall fee pool for IPOs. Advisory revenues of CHF 705 million were up 21%, driven by an increase in the overall fee pool. Total operating expenses of CHF 2,102 million were up 31%, compared to 2014, primarily reflecting the goodwill impairment charge. Total operating expenses were also impacted by market-based salary increases, investment in strategic hires for the growth plan and restructuring expenses recognized in 4Q15 in connection with the implementation of the new strategy. These increases were partially offset by a decrease in discretionary compensation.

Full-year 2014 results

In 2014, we reported net revenues of CHF 2,106 million, an increase of 5% compared to 2013. The results reflected higher advisory and equity underwriting revenues, driven by increased activity in IPOs and M&A. Total operating expenses of CHF 1,600 million were up 12% compared to 2013, reflecting higher compensation and benefits.

Capital and leverage metrics

At the end of 2015, risk-weighted assets were USD 18.0 billion, an increase of USD 4.0 billion compared to the end of 2014. This increase was driven by higher investment grade and non-investment grade underwriting commitments, as well as methodology changes. We reported leverage exposure of USD 43.3 billion, a reduction of USD 0.9 billion compared to the end of 2014.

Results detail

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013. Share of wallet refers to our share of the overall fee pool for the respective products.

Debt underwriting

2015 vs 2014: Down 20% from CHF 1,064 million to CHF 852 million

The decrease was primarily driven by lower leveraged finance revenues and significant mark-to-market losses related to our underwriting commitments and lending portfolio. Leveraged finance revenues were lower on reduced leveraged loan activity amid significant market volatility.

2014 vs 2013: Stable at CHF 1,064 million

Growth in our investment grade businesses offset lower leveraged finance revenues, which declined versus a strong 2013, consistent with the overall fee pool.

Equity underwriting

2015 vs 2014: Down 24% from CHF 494 million to CHF 376 million

The decrease was driven by lower revenues from IPOs, reflecting declines in industry-wide issuance activity. We had higher revenues from follow-on offerings despite a decrease in industry-wide activity, driven by share of wallet gains.

2014 vs 2013: Up 23% from CHF 402 million to CHF 494 million

The increase was driven by higher revenues from IPOs, in line with higher industry-wide issuance activity. We also had higher revenues from follow-on offerings as an increase in the related fee pool offset a decrease in our share of wallet.

Advisory and other fees

2015 vs 2014: Up 21% from CHF 584 million to CHF 705 million

The increase in revenues was driven by a higher number of completed M&A transactions, reflecting an increase in the overall fee pool.

2014 vs 2013: Up 6% from CHF 553 million to CHF 584 million

The increase in revenues reflected the growth in the overall fee pool and more favorable market conditions.

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Compensation and benefits

2015 vs 2014: Up 7% from CHF 1,188 million to CHF 1,266 million

Compensation and benefits increased as a result of market-based salary increases and investment in strategic hires as part of the Investment Banking & Capital Markets growth strategy.

2014 vs 2013: Up 13% from CHF 1,056 million to CHF 1,188 million

The increase was primarily driven by higher deferred compensation expenses from prior-year awards and higher discretionary compensation expenses.

General and administrative expenses

2015 vs 2014: Up 6% from CHF 409 million to CHF 432 million

The increase was primarily driven by investments in our risk and compliance infrastructure.

2014 vs 2013: Up 9% from CHF 376 million to CHF 409 million

The increase was primarily driven by higher litigation provisions.

Strategic Resolution Unit

In 2015, the Strategic Resolution Unit reported a loss before taxes of CHF 2,510 million and net revenues of CHF 413 million. Net revenues declined compared to 2014.

In 2015, we reduced risk-weighted assets and leverage exposure. As of the end of 2015, we had risk-weighted assets of CHF 61.6 billion, a decrease of CHF 3.4 billion compared to the end of 2014. Leverage exposure was CHF 138.2 billion as of the end of 2015, reflecting a decrease of CHF 80.9 billion compared to the end of 2014.

Divisional results

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**413**	**1,168**	**1,630**	(65)	(28)
of which from noncontrolling interests without significant economic interest	11	427	639	(97)	(33)
Provision for credit losses	**132**	**33**	**77**	300	(57)
Compensation and benefits	1,017	1,082	1,150	(6)	(6)
General and administrative expenses	1,462	3,448	2,738	(58)	26
of which litigation expenses	414	2,535	1,938	(84)	31
Commission expenses	159	178	211	(11)	(16)
Goodwill impairment	0	0	12	–	(100)
Restructuring expenses	153	–	–	–	–
Total other operating expenses	1,774	3,626	2,961	(51)	22
Total operating expenses	**2,791**	**4,708**	**4,111**	(41)	15
of which from noncontrolling interests without significant economic interest	22	32	47	(31)	(32)
Loss before taxes	**(2,510)**	**(3,573)**	**(2,558)**	(30)	40
of which from noncontrolling interests without significant economic interest	**(11)**	395	592	–	(33)
Statement of operations metrics (%)					
Return on regulatory capital	(28.2)	(32.6)	–	–	–
Balance sheet statistics (CHF million)					
Total assets	77,664	107,464	108,472	(28)	(1)
Risk-weighted assets	61,638	65,072	65,867	(5)	(1)
Leverage exposure	138,219	219,075	–	(37)	–
Number of employees (full-time equivalents)					
Number of employees	2,100	3,400	3,800	(38)	(11)

Divisional results (continued)

			in		% change
	2015	2014	2013	15 / 14	14 / 13
Net revenue detail (CHF million)					
Restructuring of select onshore businesses	758	910	856	(17)	6
Legacy cross-border business and small markets	292	403	513	(28)	(21)
Restructuring of former Asset Management division	(108)	167	483	–	(65)
Legacy investment banking portfolio	(380)	(388)	(104)	(2)	273
Legacy funding costs	(250)	(219)	(481)	14	(54)
Other	90	(132)	(276)	–	(52)
Noncontrolling interests without significant economic interest	11	427	639	(97)	(33)
Net revenues	**413**	**1,168**	**1,630**	(65)	(28)

results summary

Full-year 2015 results

In 2015, the Strategic Resolution Unit reported a loss before taxes of CHF 2,510 million compared to a loss before taxes of CHF 3,573 million in 2014. Net revenues decreased CHF 755 million compared to 2014, primarily driven by lower revenues from noncontrolling interests without significant economic interest and losses relating to the restructuring of the former Asset Management division in 2015. Provision for credit losses was CHF 132 million in 2015 compared to CHF 33 million in 2014, primarily relating to the restructuring of select onshore businesses. Total operating expenses decreased from CHF 4,708 million in 2014 to CHF 2,791 million in 2015, mainly due to lower litigation expenses.

Full-year 2014 results

In 2014, the Strategic Resolution Unit reported a loss before taxes of CHF 3,573 million compared to a loss before taxes of CHF 2,558 million in 2013. Net revenues decreased CHF 462 million compared to 2013, primarily driven by lower net revenues relating to the restructuring of the former Asset Management division and losses from the legacy investment banking portfolio in 2014. Provision for credit losses decreased from CHF 77 million in 2013 to CHF 33 million in 2014. Total operating expenses increased from CHF 4,111 million in 2013 to CHF 4,708 million in 2014, mainly due to higher litigation expenses.

Capital and leverage metrics

In 2015, we reduced risk-weighted assets and leverage exposure. As of the end of 2015, we had risk-weighted assets of CHF 61.6 billion, a decrease of CHF 3.4 billion compared to the end of 2014. The decrease was mainly driven by various initiatives in the legacy investment banking portfolio. Leverage exposure was CHF 138.2 billion as of the end of 2015, reflecting a decrease of CHF 80.9 billion compared to the end of 2014, driven by various initiatives in the legacy investment banking portfolio including sales, clearing and compression and other mitigating measures.

Results detail

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

Net revenues

2015 vs 2014: Down 65% from CHF 1,168 million to CHF 413 million

The decrease in net revenues was driven by lower revenues from noncontrolling interests without significant economic interest and losses relating to the restructuring of the former Asset Management division.

2014 vs 2013: Down 28% from CHF 1,630 million to CHF 1,168 million

The decrease in net revenues was primarily driven by lower revenues relating to the restructuring of the former Asset Management division, higher losses relating to the legacy investment banking portfolio and lower revenues from noncontrolling interest without significant economic interest, partially offset by lower losses relating to legacy funding costs.

Total operating expenses

2015 vs 2014: Down 41% from CHF 4,708 million to CHF 2,791 million

Total operating expenses decreased mainly due to lower litigation expenses. Litigation expenses decreased from CHF 2,535 million in 2014 to CHF 414 million in 2015. Litigation expenses in 2014 included CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters and CHF 841 million primarily in connection with mortgage-related matters.

2014 vs 2013: Up 15% from CHF 4,111 million to CHF 4,708 million

Total operating expenses increased mainly due to higher litigation expenses. Litigation expenses increased from CHF 1,938 million in 2013 to CHF 2,535 million in 2014. Litigation expenses in 2013 included provisions of CHF 1,117 million in connection with mortgage-related matters, including in connection with the settlement with the Federal Housing Finance Agency in March 2014, and CHF 600 million in connection with US cross-border matters.

Corporate Center

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses and revenues that have not been allocated to the segments. It also includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

Corporate Center results

			in / end of		% change
	2015	2014	2013	15 / 14	14 / 13
Statements of operations (CHF million)					
Net revenues	**445**	**548**	**(321)**	(19)	–
Provision for credit losses	**0**	**2**	**1**	(100)	100
Compensation and benefits	329	334	238	(1)	40
General and administrative expenses	431	260	62	66	319
Commission expenses	45	5	26	–	(81)
Total other operating expenses	476	265	88	80	201
Total operating expenses	**805**	**599**	**326**	34	84
Loss before taxes	**(360)**	**(53)**	**(648)**	–	(92)
Balance sheet statistics (CHF million)					
Total assets	62,872	21,562	32,979	192	(35)
Risk-weighted assets [1]	16,878	16,125	15,298	5	5
Leverage exposure [1]	59,723	15,180	–	293	–

1

Disclosed on a look-through basis.

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Results summary

Full-year 2015 results

In 2015, Corporate Center recorded a loss before taxes of CHF 360 million compared to a loss before taxes of CHF 53 million in 2014, primarily reflecting lower fair value gains from movements in own credit spreads of CHF 298 million in 2015, compared to fair value gains from movements in own credit spreads of CHF 543 million in 2014, and higher expenses in connection with the legal entity program in 2015.

Full-year 2014 results

In 2014, Corporate Center recorded a loss before taxes of CHF 53 million compared to a loss before taxes of CHF 648 million in 2013, primarily reflecting fair value gains from movements in own credit spreads of CHF 543 million in 2014, compared to fair value losses from movements in own credit spreads of CHF 296 million in 2013. The improved results were partially offset by higher expenses in connection with the legal entity program in 2014.

Corporate Center results (continued)

			in	% change	
	2015	2014	2013	15 / 14	14 / 13
Net revenue detail (CHF million)					
Treasury results	69	(78)	(40)	–	95
Fair value impact from movements in own credit spreads	298	543	(296)	(45)	–
Other	78	83	15	(6)	453
Net revenues	**445**	**548**	**(321)**	(19)	–

Corporate Center – expenses before and after service allocation to divisions

			in	% change	
	2015	2014	2013	15 / 14	14 / 13
Statements of expenses (CHF million)					
Compensation and benefits	3,020	3,030	3,095	0	(2)
General and administrative expenses	3,915	3,531	3,312	11	7
Commission expenses	45	5	26	–	(81)
Restructuring expenses	106	–	–	–	–
Total other operating expenses	4,066	3,536	3,338	15	6
Total operating expenses before allocations to divisions	**7,086**	**6,566**	**6,433**	8	2
Net allocation to divisions	6,281	5,967	6,107	5	(2)
of which Swiss Universal Bank	1,531	1,468	1,472	4	0
of which International Wealth Management	967	930	1,055	4	(12)
of which Asia Pacific	756	724	678	4	7
of which Global Markets	2,090	1,946	1,988	7	(2)
of which Investment Banking & Capital Markets	289	252	234	15	8
of which Strategic Resolution Unit	648	647	680	0	(5)
Total operating expenses	**805**	**599**	**326**	34	84

Assets under management

As of December 31, 2015, assets under management were CHF 1,214.1 billion, down 11.3% compared to December 31, 2014, primarily reflecting the transfer of our US domestic private banking business and a reclassification of assets under management to assets under custody within client assets, partially offset by net new assets of CHF 46.9 billion.

Assets under management

Effective as of July 1, 2015, the Group updated its assets under management policy primarily to introduce more specific criteria and indicators to evaluate whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reclassification of CHF 46.4 billion of assets under management to assets under custody within client assets which has been reflected as a structural effect in the third quarter of 2015.

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.

Assets under management and client assets

			end of		% change
	2015	2014	2013	15 / 14	14 / 13
Assets under management (CHF billion)					
Swiss Universal Bank – Private Banking	241.0	258.6	244.2	(6.8)	5.9
Swiss Universal Bank – Corporate & Institutional Banking	275.8	275.9	250.0	0.0	10.4
International Wealth Management – Private Banking	289.6	323.7	297.8	(10.5)	8.7
International Wealth Management – Asset Management	321.3	305.2	270.1	5.3	13.0
Asia Pacific – Private Banking	150.4	150.5	121.3	(0.1)	24.1
Strategic Resolution Unit	27.3	144.0	167.0	(81.0)	(13.8)
Assets managed across businesses [1]	(91.3)	(89.2)	(72.8)	2.4	22.5
Assets under management	**1,214.1**	**1,368.7**	**1,277.6**	(11.3)	7.1
of which continuing operations	1,214.1	1,368.7	1,248.6	(11.3)	9.6
of which discontinued operations	0.0	0.0	29.0	–	(100.0)
Assets under management from continuing operations	**1,214.1**	**1,368.7**	**1,248.6**	(11.3)	9.6
of which discretionary assets	410.1	429.1	417.8	(4.4)	2.7
of which advisory assets	804.0	939.6	830.8	(14.4)	13.1
Client assets (CHF billion) [2]					
Swiss Universal Bank – Private Banking	266.2	266.5	251.9	(0.1)	5.8
Swiss Universal Bank – Corporate & Institutional Banking	377.1	375.5	352.7	0.4	6.5
International Wealth Management – Private Banking	400.0	429.2	391.8	(6.8)	9.5
International Wealth Management – Asset Management	321.3	305.2	270.1	5.3	13.0
Asia Pacific – Private Banking	169.8	157.1	129.6	8.1	21.2
Strategic Resolution Unit	110.4	159.8	179.1	(30.9)	(10.8)
Assets managed across businesses [1]	(91.3)	(89.2)	(72.8)	2.4	22.5
Client assets [2]	**1,553.5**	**1,604.1**	**1,502.4**	(3.2)	6.8

of which continuing operations	1,553.5	1,604.1	1,473.0	(3.2)	8.9
of which discontinued operations	0.0	0.0	29.4	–	(100.0)

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.

Growth in assets under management

in	2015	2014	2013
Growth in assets under management (CHF billion)			
Net new assets from continuing operations	**46.9**	**29.9**	**35.0**
Net new assets from discontinued operations	0.0	(2.0)	(4.0)
Net new assets	**46.9**[1]	**27.9**	**31.0**
of which Swiss Universal Bank – Private Banking	3.2	3.8	(2.5)
of which Swiss Universal Bank – Corporate & Institutional Banking	10.6	5.5	8.8
of which International Wealth Management – Private Banking	(3.0)	7.3	10.3
of which International Wealth Management – Asset Management [2]	26.5	6.5	15.9
of which Asia Pacific – Private Banking	17.8	17.5	11.8
of which Strategic Resolution Unit	(4.0)[1]	(9.6)	(7.8)
of which assets managed across businesses [3]	(4.2)	(3.1)	(5.5)
Other effects from continuing operations	**(201.5)**	**90.2**	**18.6**
Other effects from discontinued operations	0.0	(27.0)	(20.0)
Other effects	**(201.5)**[1]	**63.2**	**(1.4)**
of which Swiss Universal Bank – Private Banking	(20.8)	10.6	23.4
of which Swiss Universal Bank – Corporate & Institutional Banking	(10.7)	20.4	17.4
of which International Wealth Management – Private Banking	(31.1)	18.6	(16.9)
of which International Wealth Management – Asset Management	(10.4)	28.6	8.6
of which Asia Pacific – Private Banking	(17.9)	11.7	(2.4)
of which Strategic Resolution Unit	(112.7)[1]	(13.4)	(25.7)
of which assets managed across businesses [3]	2.1	(13.3)	(5.8)
Growth in assets under management from continuing operations	**(154.6)**	**120.1**	**53.6**
Growth in assets under management from discontinued operations	0.0	(29.0)	(24.0)
Growth in assets under management	**(154.6)**	**91.1**	**29.6**
of which Swiss Universal Bank – Private Banking	(17.6)	14.4	20.9
of which Swiss Universal Bank – Corporate & Institutional Banking	(0.1)	25.9	26.2
of which International Wealth Management – Private Banking	(34.1)	25.9	(6.6)
of which International Wealth Management – Asset Management [2]	16.1	35.1	24.5
of which Asia Pacific – Private Banking	(0.1)	29.2	9.4
of which Strategic Resolution Unit	(116.7)	(23.0)	(33.5)
of which assets managed across businesses [3]	(2.1)	(16.4)	(11.3)

1
Updated since the 4Q15 Earnings Release to reflect a reclassification within the components of the growth in assets under management.
2

Includes outflows for private equity assets reflecting realizations at cost and unfunded
commitments on which a fee is no longer earned.
3
Represents assets managed by Asset Management within International Wealth Management
for the other businesses.
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.
As of December 31, 2015, assets under management of CHF 1,214.1 billion decreased CHF 154.6 billion compared to the end of 2014, reflecting the transfer of our US domestic private banking business, the CHF 46.4 billion reclassification of assets under management to assets under custody due to the introduction of the updated assets under management policy and unfavorable foreign exchange-related movements, partially offset by net new assets of CHF 46.9 billion and favorable market movements.
The Private Banking business of Swiss Universal Bank had assets under management of CHF 241.0 billion as of the end of 2015, a decrease of CHF 17.6 billion compared to the end of 2014, primarily reflecting a reclassification of CHF 15.8 billion of assets under management to assets under custody and unfavorable foreign exchange-related movements, partially offset by net new assets of CHF 3.2 billion and favorable market movements.
The Corporate & Institutional Banking business of Swiss Universal Bank had assets under management of CHF 275.8 billion as of the end of 2015, stable compared to the end of 2014, reflecting net new assets of CHF 10.6 billion and favorable market movements, offset by a reclassification of CHF 8.3 billion of assets under management to assets under custody and unfavorable foreign exchange-related movements.

Growth in assets under management (continued)

in	2015	2014	2013
Growth in assets under management (%)			
Net new assets from continuing operations	**3.4**	**2.4**	**2.9**
Net new assets from discontinued operations	0.0	(6.9)	(7.5)
Net new assets	**3.4**	**2.2**	**2.5**
of which Swiss Universal Bank – Private Banking	1.2	1.6	(1.1)
of which Swiss Universal Bank – Corporate & Institutional Banking	3.8	2.2	3.9
of which International Wealth Management – Private Banking	(0.9)	2.5	3.4
of which International Wealth Management – Asset Management [1]	8.7	2.4	6.5
of which Asia Pacific – Private Banking	11.8	14.4	10.5
of which Strategic Resolution Unit	(2.8)	(5.7)	(3.9)
of which assets managed across businesses [2]	4.7	4.3	8.9
Other effects from continuing operations	**(14.7)**	**7.2**	**1.6**
Other effects from discontinued operations	0.0	(93.1)	(37.8)
Other effects	**(14.7)**	**4.9**	**(0.1)**
of which Swiss Universal Bank – Private Banking	(8.0)	4.3	10.5
of which Swiss Universal Bank – Corporate & Institutional Banking	(3.8)	8.2	7.8
of which International Wealth Management – Private Banking	(9.6)	6.2	(5.6)
of which International Wealth Management – Asset Management	(3.4)	10.6	3.5
of which Asia Pacific – Private Banking	(11.9)	9.7	(2.1)
of which Strategic Resolution Unit	(78.2)	(8.1)	(12.8)
of which assets managed across businesses [2]	(2.3)	18.2	9.5
Growth in assets under management from continuing operations	**(11.3)**	**9.6**	**4.5**
Growth in assets under management from discontinued operations	0.0	(100.0)	(45.3)
Growth in assets under management	**(11.3)**	**7.1**	**2.4**
of which Swiss Universal Bank – Private Banking	(6.8)	5.9	9.4
of which Swiss Universal Bank – Corporate & Institutional Banking	0.0	10.4	11.7
of which International Wealth Management – Private Banking	(10.5)	8.7	(2.2)
of which International Wealth Management – Asset Management [1]	5.3	13.0	10.0
of which Asia Pacific – Private Banking	(0.1)	24.1	8.4
of which Strategic Resolution Unit	(81.0)	(13.8)	(16.7)
of which assets managed across businesses [2]	2.4	22.5	18.4

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.

The Private Banking business of International Wealth Management had assets under management of CHF 289.6 billion as of the end of 2015, a decrease of CHF 34.1 billion compared to the end of 2014, primarily due to unfavorable foreign exchange-related movements, a reclassification of CHF 11.1 billion of assets under management to assets under custody and net asset outflows of CHF 3.0 billion, partially offset by favorable market movements.

The Asset Management business of International Wealth Management had assets under management of CHF 321.3 billion as of the end of 2015, an increase of CHF 16.1 billion compared to the end of 2014, primarily due to net new assets of CHF 26.5 billion, partially offset by unfavorable foreign exchange-related movements.

The Private Banking business of Asia Pacific had assets under management of CHF 150.4 billion as of the end of 2015, stable compared to the end of 2014, reflecting net new assets of CHF 17.8 billion, offset by a reclassification of CHF 9.1 billion of assets under management to assets under custody, unfavorable market movements and unfavorable foreign exchange-related movements.

The Strategic Resolution Unit had CHF 27.3 billion assets under management as of the end of 2015, a decrease of CHF 116.7 billion compared to the end of 2014, primarily reflecting the transfer of our US domestic private banking business to Wells Fargo and net asset outflows of CHF 4.0 billion, partially offset by favorable market movements.

> Refer to “Swiss Universal Bank”, “International Wealth Management”, “Asia Pacific” and “Strategic Resolution Unit” in II - Operating and financial review and “Note 38 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group for further information.

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, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management.

Furthermore, changes due to foreign exchange-related and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

We recorded net new assets of CHF 46.9 billion in 2015.

Swiss Universal Bank contributed net new assets of CHF 3.2 billion in its Private Banking business, with solid contributions from >>>UHNWI, >>>HNWI and >>>affluent and retail clients, and CHF 10.6 billion in its Corporate & Institutional Banking business, primarily from Swiss pension funds.

International Wealth Management reported net asset outflows of CHF 3.0 billion in its Private Banking business, mainly reflecting the impact of regularization and pricing changes on cash deposits, and strong net new assets of CHF 26.5 billion in its Asset Management business, with inflows primarily from traditional products, including inflows from a joint venture in emerging markets, index solutions and credit products.

Asia Pacific reported strong net new assets of CHF 17.8 billion, reflecting inflows primarily from the Greater China and South East Asia markets.

The Strategic Resolution Unit had net asset outflows of CHF 4.0 billion due to the wind-down of operations.

Net new assets

in	2015	2014	2013
Net new assets (CHF billion)			
Swiss Universal Bank – Private Banking	3.2	3.8	(2.5)
Swiss Universal Bank – Corporate & Institutional Banking	10.6	5.5	8.8
International Wealth Management – Private Banking	(3.0)	7.3	10.3
International Wealth Management – Asset Management	26.5	6.5	15.9
Asia Pacific – Private Banking	17.8	17.5	11.8
Strategic Resolution Unit	(4.0) [1]	(9.6)	(7.8)
Assets managed across businesses [2]	(4.2)	(3.1)	(5.5)
Net new assets	**46.9** [1]	**27.9**	**31.0**
of which continuing operations	46.9	29.9	35.0
of which discontinued operations	0.0	(2.0)	(4.0)

1

Updated since the 4Q15 Earnings Release to reflect a reclassification within the components of the growth in assets under management.

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 V – 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 assets and liabilities are 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 little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management’s own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain >>>OTC derivatives including 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) and life finance instruments.

We have availed ourselves of the simplification in accounting offered under the fair value option guidance in Accounting Standards Codification (ASC) Topic 825 – Financial Instruments, primarily in the divisions Global Markets, Investment Banking & Capital Markets, International Wealth Management, Asia Pacific and Strategic Resolution Unit. 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 and for which we are economically hedged, we have 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 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 V – Consolidated financial statements – Credit Suisse Group for further information on fair value and related control processes of the Group.

Variable interest entities

As a normal part of our business, we engage in various transactions that include entities which 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 potentially has significant benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment 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 V – 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 income 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

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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 V – 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 V – 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 loan portfolios in our investment banking businesses adjusts the rating-specific default probabilities to incorporate not only historic third-party data but also those 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 V – 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.

On October 21, 2015, we announced the new strategy and organization, which included the introduction of a new segment structure. Under the prior structure, the reporting units for Private Banking & Wealth Management were Wealth Management Clients, Corporate & Institutional Clients, Asset Management and Private Banking & Wealth Management's non-strategic unit, and Investment Banking was considered to be one reporting unit. With an effective date of November 1, 2015, the reporting units under the new structure were redefined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

Under Accounting Standards Update 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), 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, the first step of the 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, the second step of the quantitative goodwill impairment test, measuring the amount of an impairment loss, if any, has to be performed.

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 first step of the quantitative goodwill impairment test. When bypassing the qualitative assessment in any period as per 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 or the first step 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, 2015, such residual equity was equal to CHF (4,725) million.

Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in our share price and those of competitors; estimates of our future earnings potential based on our five-year strategic business plan; and the level of interest rates.

Estimates of our 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, the anti‒cipated 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. If the second step of the goodwill impairment test is required, the implied fair value of the relevant reporting unit's goodwill is compared with the carrying value of that

goodwill. If the carrying value exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess. The loss recognized as a goodwill impairment cannot exceed the carrying value of that goodwill. The implied fair value of goodwill is calculated in the same manner as the amount of goodwill recognized in a business combination and, as such, the current fair value of a reporting unit is assigned to all of the assets and liabilities of that unit (including any unrecognized intangible assets, but excluding goodwill) as if the reporting unit had been acquired in a business combination. An independent valuation expert would likely be engaged to assist in the valuation of the reporting unit's unrecognized intangible assets.

Under US GAAP, goodwill has to be tested for impairment before and immediately after a reorganization of reporting units. As a result, the goodwill impairment test was performed as of November 1, 2015 under the prior reporting units and then again under the newly defined reporting units. In addition, the remaining goodwill after considering the impairment as of November 1, 2015 was tested for impairment as of December 31, 2015.

The total goodwill impairment for Credit Suisse Group as of November 1, 2015 was CHF 3,797 million. Prior to the reorganization, the goodwill for the Investment Banking reporting unit was impaired by CHF 2,324 million, which was recognized and allocated across the three new reporting units with investment banking activities, Global Markets, Asia Pacific – Investment Banking and Investment Banking & Capital Markets, based on their relative fair values. Immediately after the reorganization, the Global Markets reporting unit was further impaired by CHF 1,473 million. In total, the goodwill impairment of CHF 3,797 million was recognized as follows: CHF 2,661 million in Global Markets, CHF 756 million in Asia Pacific – Investment Banking and CHF 380 million in Investment Banking & Capital Markets.

Based on our goodwill impairment analysis performed as of December 31, 2015, we concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no further impairment was necessary as of December 31, 2015.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets and Investment Banking & Capital Markets reporting units as of November 1, 2015 and December 31, 2015 and in the valuation of the former Investment Banking reporting unit as of November 1, 2015. The valuations were performed using a combination of the market approach and income approach. Under the market approach, consideration is 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 are determined from the Group's financial plan as approved by the Board of Directors.

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 V – Consolidated financial statements – Credit Suisse Group for further information on goodwill.

Taxes

Uncertainty of income tax positions

We follow the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain 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 V – 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 and Switzerland. Management then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20-year carry-forward period for net operating losses and Swiss tax law allows for a seven-year carry-forward period for net operating losses.
> Refer to "Note 28 – Tax" in V – 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. The actuarial assumptions used by us 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 are 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 accumulated other comprehensive income/(loss) (AOCI).
The projected benefit obligation (PBO) of our total defined benefit pension plans as of December 31, 2015 included an amount related to our assumption for future salary increases of CHF 979 million, compared to CHF 621 million as of December 31, 2014. 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 839 million for 2015, compared to an overfunding of CHF 932 million for 2014.
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 2015 and 2014 was 4.00% and 3.75%, respectively, for the Swiss plans and 6.00% and 6.16%, respectively, for the international plans. In 2015, 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 148 million and net pension expense for the international plans would have decreased/increased CHF 32 million.
The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, we take into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows from benefit payments. The discount rate used for Swiss plans decreased 0.35 percentage points from 1.25% as of December 31, 2014, to 0.90% as of December 31, 2015, mainly due to a decrease in Swiss bond market rates. The average discount rate used for international plans increased 0.23 percentage points from 3.82% as of December 31, 2014, to 4.05% as of December 31, 2015, mainly due to an increase in bond market rates in the US and the UK. The discount rate affects both the pension expense and the PBO. For the year ended December 31, 2015, a one percentage point decline in the discount rate for the Swiss plans would have resulted in an increase in the

PBO of CHF 2,257 million and an increase in pension expense of CHF 133 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,961 million and a decrease in the pension expense of CHF 149 million. A one percentage point decline in the discount rate for the international plans as of December 31, 2015 would have resulted in an increase in the PBO of CHF 686 million and an increase in pension expense of CHF 59 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 557 million and a decrease in the pension expense of CHF 53 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, 2015, was approximately 10 years for the Swiss plans and 3 to 24 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, 2015, 2014 and 2013 was CHF 350 million, CHF 102 million and CHF 245 million, respectively. The amortization of recognized actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2016, which is

assessed at the beginning of the year, is expected to be CHF 231 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 2016.

> Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension benefits.

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 2015, if the Bank had accounted for the Group plan as a defined benefit plan, the expected long-term rate of return used to determine the expected return on plan assets as a component of the net periodic benefit costs would have been 4.00%. In 2015, 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 6.00%.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. For the year ended December 31, 2015, if the Bank had accounted for the Group plan as a defined benefit plan, the discount rate used in the measurement of the benefit obligation and net periodic benefit costs would have been 0.90% and 1.25%, respectively. For the year ended December 31, 2015, the weighted-average discount rates used in the measurement of the benefit obligation and the net periodic benefit costs for the international single-employer defined benefit pension plans were 4.05% and 3.82%, respectively. 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 686 million and an increase in pension expense of CHF 59 million, and a one percentage point increase in the discount rate would have resulted in a decrease in PBO of CHF 557 million and a decrease in pension expense by CHF 53 million.

The Bank does not recognize any amortization of actuarial losses and prior service cost for the Group pension plan. 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, 2015, 2014 and 2013 was CHF 84 million, CHF 52 million and CHF 79 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2016, which is assessed at the beginning of the year, is expected to be CHF 33 million, net of tax.

Treasury, Risk, Balance sheet and Off-balance sheet
Liquidity and funding management
Capital management
Risk management
Balance sheet, off-balance sheet and other contractual obligations

Liquidity and funding management

During 2015, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

Overview

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 started pursuing a dual track funding strategy with issuances 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.

Our liquidity and funding strategy is approved by the Capital Allocation and Risk Management Committee (CARMC) and overseen by the Board of Directors. The implementation and execution of the liquidity and funding strategy is managed by Treasury. Treasury ensures adherence to our funding policy and the efficient coordination of the 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 of Directors, who define our risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of our businesses. The Board of Directors is responsible for defining our overall tolerance for risk 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

Basel III liquidity framework

In December 2010, the 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). As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions and estimates. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown in this report.

In January 2014, the BCBS issued final LCR rules and disclosure requirements to be implemented as part of banks' regular disclosures beginning in January 1, 2015. The LCR, which is being 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 high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of high-quality liquid assets 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 is subject to an initial minimum requirement of 60% as of January 1, 2015, increasing by 10% each year and reaching 100% by January 1, 2019.

In October 2014, the BCBS issued final NSFR rules, requiring banks to maintain a stable funding profile in relation to their on- and off-balance sheet activities. The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and 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 in effect, should always be at least 100%. Following an observation period which began in 2012, the NSFR will become a minimum standard on January 1, 2018. In June 2015, the BCBS finalized the NSFR disclosure standards, which require internationally active banks in all Basel Committee member jurisdictions to publish their NSFR information according to a common template that includes the major categories of sources and uses of stable funding. In parallel with the implementation of the NSFR standard, national regulators must give effect to these disclosure requirements and banks will be required to comply with them from the date of the first reporting period after January

1, 2018.

Swiss liquidity requirements

In November 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. The Liquidity Ordinance entered into force on January 1, 2013. It requires appropriate management and monitoring of liquidity risks, and applies to all banks, but is tiered according to the type, complexity and degree of risk of a bank's activities. It also contains supplementary quantitative and qualitative requirements

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for systemically relevant banks, including us, which are generally consistent with existing FINMA liquidity requirements.
In January 2014, the Swiss Federal Council and FINMA proposed revisions to the Liquidity Ordinance, to reflect the final Basel III LCR rules. These revisions were adopted by the Swiss Federal Council on June 25, 2014 and entered into effect on January 1, 2015. As a result, all Swiss banks are subject to an LCR requirement. Systemically relevant banks like Credit Suisse became subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015, while other banks are subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. Further, beginning in May 2015, FINMA required us to maintain a minimum LCR of 110% at all times. In accordance with the new disclosure requirements, we started to report the LCR publicly on a quarterly basis in 2015.
In October 2014, FINMA issued a revised circular related to the LCR disclosure requirements for banks, which included requirements for banks to disclose quantitative and qualitative information related to the LCR beginning in the first quarter of 2015.
In November 2014, FINMA published new reporting instructions for the NSFR that required us to report to FINMA our NSFR on a quarterly basis for the fourth quarter of 2014, first quarter of 2015 and second quarter of 2015 and then monthly thereafter. The reporting instructions are generally aligned with the final BCBS NSFR requirements.
In January 2015, FINMA's revised circular on qualitative requirements for liquidity risk management and quantitative requirements for liquidity maintenance, which was issued in July 2014, entered into effect.
Our liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.
> Refer to "Recent regulatory developments and proposals" in I – Information on the company – Regulation and supervision for further information.
Liquidity risk management framework
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 >>>NSFR is not effective until 2018, 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 the NSFR and the internal liquidity barometer as the basis for our funds transfer pricing policy.
We use our internal liquidity barometer to manage liquidity to internal targets and as a basis to model both Credit Suisse-specific and systemic market 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 allows us to manage liquidity to a desired profile under stress in order to be able to continue to pursue activities for a period of time (also known as a liquidity horizon) without changing business plans during times of Credit Suisse-specific or market-specific stress. Under this framework, we also have short-term targets based on additional stress scenarios to ensure uninterrupted liquidity for short time frames.
In the second quarter of 2014, we started to allocate the majority of the balance sheet usage related to a portfolio of high-quality liquid assets managed by our Treasury function 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 arising from the portfolio of assets.

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;
– Availability of secured funding becomes subject to significant over-collateralization;
– Capital markets, certificates of deposit and >>>commercial paper markets will not be available;
– Other money market access will be significantly reduced;
– A loss 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, the Chief Risk Officer (CRO), the Chief Compliance and Regulatory Officer 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 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 and responsibility to ensure that any required remedial actions are taken 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 high quality liquid assets (HQLA) as defined by FINMA. 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 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. These securities may also serve to meet liquidity requirements in major operating subsidiaries.

Liquidity coverage ratio – Group

End of 2015	Swiss franc	US dollar	Euro	Other currencies	Unweighted value[1]	Weighted value[2]
High Quality Liquid Assets (HQLA) (CHF million)						
Cash held at central banks	44,198	27,611	11,887	3,044	–	86,740
Securities	1,462	62,186	6,286	18,632	–	88,566
High quality liquid assets [3]	**45,660**	**89,797**	**18,173**	**21,676**	**–**	**175,306**
Cash outflows (CHF million)						
Retail deposits and deposits from small business customers					153,091	19,362
Unsecured wholesale funding					206,113	86,619
Secured wholesale funding					–	86,778
Additional requirements					229,017	60,988
Other contractual funding obligations					49,946	49,946
Other contingent funding obligations					258,478	3,313
Total cash outflows					**–**	**307,006**
Cash inflows (CHF million)						
Secured lending					149,105	95,418
					59,332	31,104

Inflows from fully performing exposures		
Other cash inflows	52,011	52,011
Total cash inflows	**–**	**178,533**
Liquidity coverage ratio (CHF million), except where indicated		
High quality liquid assets	–	175,306
Net cash outflows	–	128,473
Liquidity coverage ratio (%)	**–**	**136**

Calculated using a three-month average.
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.
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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. During the course of 2015 we aligned our internal stress level haircut calculation for the Treasury-managed liquidity pool to the HQLA definition used in the LCR framework.

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.

For the purpose of the LCR disclosure as of December 31, 2015, our liquidity pool managed by Treasury had an HQLA value of CHF 175.3 billion. The liquidity pool consisted of CHF 86.7 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 88.6 billion market value of securities issued by governments and government agencies, primarily from the US, UK, France and Germany. In addition to the liquidity portfolio managed by Treasury, there is also a portfolio of unencumbered liquid assets managed by various businesses, primarily in the Global Markets and Investment Banking and Capital Markets divisions. These assets generally include high-grade bonds and highly liquid equity securities that form part of major indices. Through coordination with the businesses, Treasury can access these assets to generate liquidity if required. As of December 31, 2015, the portfolio that is not managed by Treasury had a market value of CHF 23.8 billion, consisting of CHF 2.4 billion of high-grade bonds and CHF 21.4 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 21% 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.

Developments in the Liquidity Coverage Ratio

As of the end of 2015, our LCR was 136.5%, representing high quality liquid assets of CHF 175.3 billion and net cash outflows of CHF 128.5 billion.

The movement in the LCR was primarily driven by the increase in high quality liquid assets, which remained stable in the second half of 2015 after increases in the first half of 2015 in both cash held at central banks and eligible securities under the LCR framework.

The decrease in net cash outflows mainly reflected lower unsecured wholesale deposits with an offsetting increase in retail deposits. However, the weighting under the LCR framework for wholesale deposits is greater than that for retail deposits, resulting in a net decrease of deposit outflows.

Other movements included a parallel increase in overall secured lending and secured borrowing during 2015. A reduction in inflows from fully performing exposures between 2Q15 and 4Q15 reflected a decrease in loans to other banks. The decrease in other contingent funding obligations between 1Q15 and 2Q15 reflected a change in methodology for the treatment of secured funding customer short positions as well as changes in client activity.

Although the LCR has been subject to minimum requirements since January 2015, there continue to be certain refinements in the methodologies applied, which had an impact on certain metrics. In particular, outflows from other contractual funding obligations and other cash inflows increased significantly between 2Q15 and 3Q15 due to the implementation of regulatory guidance with respect to the calculation and disclosure of amounts on a gross basis rather than net basis for certain open and failed trades. However, the impact was minimal due to the symmetrical weighting of these trades for cash inflows and outflows. Other areas have been subject to rule clarification with an overall impact that was not significant. These include additional requirements where the unweighted balance of undrawn credit and liquidity facilities increased in the second half of 2015, but the corresponding weighting factor decreased as a result of the business mix of facilities and clients as well as enhancements to the dataset.

In connection with the implementation of >>>Basel III, certain regulatory LCR disclosures for the Group, the Bank, the Bank parent company and Credit Suisse International are required. Further details on our LCR can be found on our website.

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

Liquidity coverage ratio – Group

end of	4Q15	3Q15	2Q15	1Q15
CHF billion, except where indicated				
High quality liquid assets	175.3	175.5	166.4	152.2
Net cash outflows	128.5	126.1	133.3	147.5
Liquidity coverage ratio (%)	**136.5**	**139.1**	**124.8**	**103.2**

Calculated using a three-month average.

Funding sources and uses

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 13% as of the end of 2015, compared to 18% as of the end of 2014, reflecting stable loans and a small decrease in 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 305 billion as of the end of 2015, a decrease of 4% compared to CHF 317 billion as of the end of 2014 and an increase of 3% compared to CHF 297 billion as of the end of 2013, reflecting a small decrease in the customer deposit base in the private banking and corporate & institutional banking businesses in 2015. 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, off-balance sheet and other contractual obligations for further information.

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, excluding structured notes, is monitored and managed relative to certain indices, such as the >>>London Interbank Offered Rate (LIBOR), 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 expect our funding cost, which is allocated to the divisions, to increase as a result of Swiss "Too Big to Fail" requirements, as well as other banking industry regulatory requirements.

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We continually manage the impact of funding spreads through careful management of our liability maturity mix and opportunistic issuance of debt. The effect of funding spreads on interest expense depends on many factors, including 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.

Contractual maturity of assets and liabilities

The following table provides contractual maturities of the assets and liabilities specified as of the end of 2015. 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.

Contractual maturity of assets and liabilities

end of 2015	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	86,437	1,031	1,481	185	0	3,194	92,328
Interest-bearing deposits with banks	0	353	282	199	16	17	867
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	42,431	52,823	15,549	5,729	6,232	285	123,049
Securities received as collateral, at fair value	26,193	2,318	0	0	0	0	28,511
Trading assets, at fair value	190,737	0	0	0	0	0	190,737
Investment securities	12	83	20	346	1,450	1,179	3,090
Other investments	901	0	25	0	303	5,792	7,021
Net loans	10,493	50,936	25,842	46,212	89,544	49,968	272,995
Premises and equipment	0	0	0	0	0	4,644	4,644
Goodwill	0	0	0	0	0	4,808	4,808
Other intangible assets	0	0	0	0	0	196	196
Brokerage receivables	34,542	0	0	0	0	0	34,542
Other assets	19,781	4,118	5,472	6,454	12,692	9,500	58,017
Total assets	**411,527**	**111,662**	**48,671**	**59,125**	**110,237**	**79,583**	**820,805**
Liabilities (CHF million)							
Due to banks	10,907	2,833	3,655	1,902	1,482	275	21,054
Customer deposits	235,079	31,405	46,516	27,315	1,604	786	342,705
Central bank funds purchased, securities sold	13,744	14,085	9,655	8,778	113	223	46,598

under repurchase agreements and securities lending transactions							
Obligation to return securities received as collateral, at fair value	26,193	2,318	0	0	0	0	28,511
Trading liabilities, at fair value	48,971	0	0	0	0	0	48,971
Short-term borrowings	0	3,138	2,511	3,008	0	0	8,657
Long-term debt	0	745	5,005	16,588	101,714	73,556	197,608
Brokerage payables	39,452	0	0	0	0	0	39,452
Other liabilities	28,813	7,530	577	1,339	2,915	1,057	42,231
Total liabilities	**403,159**	**62,054**	**67,919**	**58,930**	**107,828**	**75,897**	**775,787**

> Refer to “Contractual obligations and other commercial commitments” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations and “Note 33 – Guarantees and commitments” in V – Consolidated financial statements – Credit Suisse Group for further information on contractual maturities of guarantees and commitments.

Debt issuances and redemptions

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market 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 2015, excluding structured notes.

Debt issuances and redemptions

in 2015	Senior	Senior bail-in	Sub-ordinated	Long-term debt
Long-term debt (CHF billion, notional value)				
Issuances	**22.5**	**14.7**	**0**	**37.2**
of which unsecured	20.2	14.7	0	34.9
of which secured [1]	2.3	0	0	2.3
Maturities / Redemptions	**20.1**	**0**	**0.4**	**20.5**
of which unsecured	15.7	0	0.4	16.1
of which secured [1]	4.4	0	0	4.4

Excludes structured notes.

1

Includes covered bonds.

As of the end of 2015, we had outstanding long-term debt of CHF 197.6 billion, which included senior and subordinated instruments, as well as CHF 15 billion of senior bail-in instruments, which we expect to be total loss-absorbing capacity (TLAC) eligible. We had CHF 54.8 billion and CHF 19.5 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2015 compared to CHF 50.5 billion and CHF 19.2 billion, respectively, as of the end of 2014. The weighted average maturity of long-term debt was 6.0 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity or in 2030 for instruments without a stated final maturity).

> Refer to “Note 25 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information.

Short-term borrowings decreased 66% to CHF 8.7 billion as of the end of 2015 compared to CHF 25.9 billion in 2014.

> Refer to “Capital issuances and redemptions” in Capital management for further information on capital issuances, including buffer and progressive capital notes.

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 even of 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.

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, 2015, net cash provided by operating activities of continuing operations was CHF 15.1 billion, primarily reflecting a decrease in trading assets and liabilities and a decrease in other assets, partially offset by 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, 2015, net cash provided by investing activities from continuing operations was CHF 34.7 billion, primarily due to a decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, partially offset by an increase in loans.

Our financing activities primarily include the issuance of debt and receipt of customer deposits. We pay annual dividends on our common shares. In 2015, net cash used in financing activities of continuing operations was CHF 36.2 billion, mainly reflecting the repayments of long-term debt, the decrease in due to banks and customer deposits, a decrease in central bank funds purchased, securities sold under >>>repurchase agreements and securities lending transactions, and repurchases of treasury shares, partially offset by the sale of treasury shares.

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 such factors as 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. 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 1.2 billion, CHF 3.1 billion and CHF 4.2 billion, respectively, as of December 31, 2015, 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. In January 2016, Moody's Investors Service downgraded the long-term ratings of Credit Suisse AG and its affiliates by one notch.

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 derivate product types are monitored as part of the LCR scenario paramaters and the internal liquidity barometer reporting.

> Refer to "Investor information" in the Appendix for further information on Group and Bank credit ratings.

Capital management

As of the end of 2015, our CET1 ratio was 14.3% under Basel III and 11.4% on a look-through basis. Our risk-weighted assets were CHF 295.0 billion and our tier 1 capital was CHF 53.1 billion. Our BIS tier 1 leverage ratio was 5.3% and 4.5% on a look-through basis.

Capital strategy and framework

Credit Suisse considers a strong and efficient capital position to be a priority. Through our capital strategy, our goal is to strengthen our capital position and optimize the use of >>>risk-weighted assets (RWA), particularly in light of emerging regulatory capital requirements.

The overall capital needs of Credit Suisse reflect management's regulatory and credit rating objectives as well as our underlying risks. Our framework considers the capital needed to absorb losses, both realized and unrealized, while remaining a strongly capitalized institution. Multi-year projections and capital plans are prepared for the Group and its major subsidiaries and reviewed throughout the year with its regulators. These plans are subject to various stress tests, reflecting both macroeconomic and specific risk scenarios. Capital contingency plans are developed in connection with these stress tests to ensure that possible mitigating actions are consistent with both the amount of capital at risk and the market conditions for accessing additional capital.

Our capital management framework also relies on economic capital, which is a comprehensive tool that is also used for risk management and performance measurement. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength as reflected in our long-term credit rating.

> Refer to "Economic risk capital" in Risk Management – Risk coverage and management for further information.

Regulatory capital framework

Overview

Effective January 1, 2013, the >>>Basel III framework was implemented in Switzerland along with the Swiss >>>"Too Big to Fail" legislation and regulations thereunder (Swiss Requirements). Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Also, our capital metrics fluctuate during any reporting period in the ordinary course of business.

The Basel framework describes a range of options for determining capital requirements in order to provide banks and supervisors the ability to select approaches that are most appropriate for their operations and their financial market infrastructure. In general, Credit Suisse has adopted the most advanced approaches, which align with the way that risk is internally managed and provide the greatest risk sensitivity.

For measuring credit risk, we received approval from >>>FINMA to use the >>>advanced internal ratings-based approach (A-IRB). Under the A-IRB for measuring credit risk, risk weights are determined by using internal risk parameters for >>>probability of default (PD), >>>loss given default (LGD) and effective maturity. The exposure at default (EAD) is either derived from balance sheet values or by using models.

For calculating the capital requirements for market risk, the internal models approach, the standardized measurement method and the standardized approach are used.

Non-counterparty risk arises from holdings of premises and equipment, real estate and investments in real estate entities.

Under the Basel framework, operational risk is included in >>>RWA and we received approval from FINMA to use the >>>advanced measurement approach (AMA). Under the AMA for measuring operational risk, we identified key scenarios that describe our major operational risks using an event model.

References to phase-in and look-through included herein refer to Basel III capital requirements and Swiss Requirements. Phase-in reflects that, for the years 2014 – 2018, there will be a five-year (20% per annum) phase-in of goodwill, other intangible assets and other capital deductions (e.g., certain deferred tax assets) and the phase-out of an adjustment for the accounting treatment of pension plans and, for the years 2013 – 2022, there will be a phase-out of certain capital instruments. Look-through assumes the full phase-in of goodwill and other intangible assets and other

regulatory adjustments and the phase-out of certain capital instruments.
BIS Requirements
The >>>BCBS, the standard setting committee within the >>>Bank for International Settlements (BIS), issued the Basel III framework with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity. The new capital standards are being phased in from 2013 through 2018 and will be fully effective January 1, 2019 for those countries that have adopted Basel III.
> Refer to the table “Basel III phase-in requirements for Credit Suisse” for capital requirements and applicable effective dates during the phase-in period.

Under Basel III, the minimum common equity tier 1 (CET1) requirement is 4.5% of RWA. In addition, a 2.5% CET1 capital conservation buffer is required to absorb losses in periods of financial and economic stress. Banks that do not maintain this buffer will be limited in their ability to pay dividends or make discretionary bonus payments or other earnings distributions.

A progressive buffer between 1% and 2.5% (with a possible additional 1% surcharge) of CET1, depending on a bank's systemic importance, is an additional capital requirement for global systemically important banks (G-SIB). The Financial Stability Board (FSB) has identified us as a G-SIB and requires us to maintain a 1.5% progressive buffer.

CET1 capital is subject to certain regulatory deductions and other adjustments to common equity, including the deduction of deferred tax assets for tax-loss carry-forwards, goodwill and other intangible assets and investments in banking and finance entities.

In addition to the CET1 requirements, there is also a requirement for 1.5% additional tier 1 capital and 2% tier 2 capital. These requirements may also be met with CET1 capital. To qualify as additional tier 1 under Basel III, capital instruments must provide for principal loss absorption through a conversion into common equity or a write-down of principal feature. The trigger for such conversion or write-down must include a CET1 ratio of at least 5.125%.

Basel III further provides for a countercyclical buffer that could require banks to hold up to 2.5% of CET1 or other capital that would be available to fully absorb losses. This requirement is expected to be imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk.

Capital instruments that do not meet the strict criteria for inclusion in CET1 are excluded. Capital instruments that would no longer qualify as tier 1 or tier 2 capital are phased out. In addition, instruments with an incentive to redeem prior to their stated maturity, if any, are phased out at their effective maturity date, generally the date of the first step-up coupon.

Banks are required to maintain a tier 1 leverage ratio of 3% starting on January 1, 2018.

Basel III phase-in requirements for Credit Suisse

Effective January 1, for the applicable year	2015	2016	2017	2018	2019
Capital ratios					
CET1	4.5%	4.5%	4.5%	4.5%	4.5%
Capital conservation buffer		0.625%[1]	1.250%[1]	1.875%[1]	2.5%
Progressive buffer for G-SIB		0.375%[1]	0.750%[1]	1.125%[1]	1.5%
Total CET1	**4.5%**	**5.5%**	**6.5%**	**7.5%**	**8.5%**
Additional tier 1	1.5%	1.5%	1.5%	1.5%	1.5%
Tier 1	**6.0%**	**7.0%**	**8.0%**	**9.0%**	**10.0%**
Tier 2	2.0%	2.0%	2.0%	2.0%	2.0%
Total capital	**8.0%**	**9.0%**	**10.0%**	**11.0%**	**12.0%**
Phase-in deductions from CET1 [2]	40.0%[1]	60.0%[1]	80.0%[1]	100.0%	100.0%
Capital instruments subject to phase-out	Phased out over a 10-year horizon beginning 2013 through 2022				

1
Indicates phase-in period.
2
Includes goodwill, other intangible assets and certain deferred tax assets.

Swiss Requirements

The legislation implementing the Basel III framework in Switzerland in respect of capital requirements for systemically relevant banks goes beyond Basel III's minimum standards, including requiring us, as a systemically relevant bank, to have the following minimum, buffer and progressive components.

> Refer to the chart "Swiss capital and leverage ratio phase-in requirements for Credit Suisse" for Swiss capital requirements and applicable effective dates during the phase-in period.

The minimum requirement of CET1 capital is 4.5% of RWA.

The buffer requirement is 8.5% and can be met with additional CET1 capital of 5.5% of RWA and a maximum of 3% of high-trigger capital instruments. High-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below 7%.

The progressive component requirement is dependent on our size (leverage exposure) and the market share of our domestic systemically relevant business. Effective in 2015, FINMA set our progressive component requirement at 4.05% for 2019. In June 2015, FINMA notified us that, effective in 2016, the progressive component requirement for 2019 will be increased from 4.05% to 5.07% due to the latest assessment of relevant market shares. The progressive component requirement may be met with CET1 capital or low-trigger capital instruments. In order to qualify, low-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below a specified percentage, the lowest of which may be 5%. In addition, until the end of 2017, the progressive component requirement may also be met with high-trigger capital instruments. Both high- and low-trigger capital instruments must comply with the Basel III minimum requirements for tier 2 capital (including subordination, point-of-non-viability loss absorption and minimum maturity).

Similar to Basel III, the Swiss Requirements include a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth. Effective September 30, 2013, the buffer was activated and initially required banks to hold CET1 capital in the amount of 1% of their RWA pertaining to mortgages that finance residential property in Switzerland. In January 2014, upon the request of the SNB, the Swiss Federal Council increased this countercyclical buffer from 1% to 2%, effective June 30, 2014.

In 2013, FINMA introduced increased capital charges for mortgages that finance owner occupied residential property in Switzerland (mortgage multiplier) to be phased in through January 1, 2019. The mortgage multiplier applies for purposes of both BIS and FINMA requirements.

In December 2013, FINMA issued a decree (FINMA Decree) specifying capital adequacy requirements for the Bank on a stand-alone basis (Bank parent company), and the Bank and the Group, each on a consolidated basis, as systemically relevant institutions.

We must also comply with a leverage ratio applicable to Swiss systemically relevant banks (Swiss leverage ratio). This leverage ratio must be at least 24% of each of the respective minimum, buffer and progressive component requirements. Since the ratio is defined by reference to capital requirements subject to phase-in arrangements, the ratio will also be phased in.

Risk measurement models

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an >>>incremental risk charge (IRC), >>>stressed Value-at-Risk (VaR), >>>risks not in VaR (RNIV) and advanced >>>credit valuation adjustment (CVA).

The IRC is a regulatory capital charge for default and migration risk on positions in the trading books and is intended to complement additional standards being applied to the >>>VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group’s current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. RNIV and stressed RNIV are risks that are not currently implemented within the Group’s VaR model, such as certain basis risks, higher order risks and cross risks. Advanced CVA covers the risk of mark-to-market losses on the expected counterparty risk arising from changes in a counterparty’s credit spreads.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every >>>regulatory VaR >>>backtesting exception over four in the prior rolling 12-month period. In 2015, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

> Refer to “Market risk” in Risk management – Risk coverage and management for further information.

Regulatory developments and proposals

In February 2015, the Swiss Federal Council adopted the report prepared by a group of experts (Brunetti Commission) regarding the further development of the financial market strategy. The report consisted of recommendations with respect to, among other things, safeguarding systemic stability and strengthening of the Swiss >>>"Too Big to Fail" regime through measures such as a review of the >>>RWA calculation method, a recalibration of capital requirements, adjustments to capital quality and supplementing the "Too Big to Fail" regime with >>>TLAC requirements so that sufficient regulatory capital and other loss-absorbing instruments are available to make recovery or orderly resolution possible.

In March 2015, >>>FINMA announced the introduction of a 1.6 multiplier on B/CCC/CC-rated investment banking corporate exposures. The phase-in of the multiplier was effective in the second quarter of 2015 and will be applied quarterly from the second quarter of 2015 through the first quarter of 2019, with a retroactive adjustment for the first quarter of 2015 in the second quarter of 2015.

In March 2015, FINMA introduced a 2.0 multiplier on residential income producing real estate (IPRE) and commercial IPRE held by retail clients, as well as a 1.5 multiplier on commercial IPRE held by non-retail clients. The phase-in of the IPRE multipliers started in the first quarter of 2015 and will continue through the first quarter of 2019.

In November 2015, the FSB issued the final TLAC standard for G-SIBs, such as Credit Suisse, which will become effective as of January 1, 2019, 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 will 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 will be at least 16% of a G-SIB's RWA as of January 1, 2019 and increase to at least 18% as of January 1, 2022. In addition, the minimum TLAC requirement must also 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 December 2015, the Swiss Federal Department of Finance issued its proposal for an amendment to the Swiss "Too Big to Fail" regime, including the new TLAC requirements, for consultation. The new requirements are expected to become effective July 1, 2016, subject to phase-in. The detailed requirements confirm certain proposals in the "Too Big to Fail" legislation review that was announced by the Swiss Federal Council in October 2015 and provide additional clarity on the planned changes to the regime.

There were also changes to the Swiss "Too Big to Fail" regime as discussed in the Brunetti Commission and the formalization of TLAC requirements to implement the FSB's TLAC standard. According to the proposal, systemically important banks operating internationally, such as Credit Suisse, will be subject to minimum requirements for two differing types of loss-absorbing capital: capital to absorb current operating losses (going concern capital) and capital to fund an orderly resolution (gone concern capital). Under the going concern requirement, the Swiss leverage ratio must be 5%, of which the minimum CET1 component is 3.5%, with the remainder to be met with a maximum of 1.5% of high-trigger tier 1 capital instruments that would be converted into common equity or written down if the CET1 ratio falls below 7%. The capital requirement will be set at 14.3% of RWA, of which the minimum CET1 component is 10%, with the remainder to be met with a maximum of 4.3% of high-trigger tier 1 capital instruments. In addition, a gone concern requirement of 5% for the Swiss leverage ratio and a capital requirement of 14.3% of RWA will be introduced, which can be met with bail-in debt instruments.

In January 2016, the BCBS issued its final paper on the fundamental review of the trading book. The paper comprises a detailed set of principles for a comprehensive revision of the market risk framework, which becomes effective January 1, 2019.

FINMA Decree

The SNB has designated the Group as a financial group of systemic importance under applicable Swiss law. Following that designation, FINMA issued the FINMA Decree, effective since February 2, 2014, which requires the Group to fully comply with the special requirements for systemically important banks set out in the Capital Adequacy Ordinance. In addition to the capital adequacy requirements, it also specifies liquidity, risk diversification and disclosure requirements for the Bank parent company. To facilitate the application of these requirements within the Group and to allow Credit Suisse to continue its central treasury policy, the FINMA Decree also references forms of relief granted by FINMA within its stated authority that are designed to prevent the application of requirements at the Bank parent company level from effectively increasing the regulatory capital requirements applicable to the Group, notwithstanding all reasonable efforts by the Group to avoid such a situation.

FINMA also requires certain capital disclosures at the Bank parent company level, which can be found on our website. In addition, the FINMA Decree requires the disclosure of the following forms of relief:

– **New approach to stand-alone capital requirements**: Withdrawal of the previously granted form of relief for funding that the Bank parent company provides to Group subsidiaries. The new approach results in an increase in RWA at the Bank parent company level.

– **Reduction of regulatory capital requirement:** Risk-weighted capital requirement reduced to 14% from the current 17.05%, of which at least 10% must be held in the form of CET1 capital. This measure is a form of relief at the Bank parent company level in comparison with the minimum requirements set out by FINMA at the Group level.

– **Equal treatment of direct and indirect investments**: Direct and indirect investments in Group subsidiaries that are active in the financial sector and are held by the Bank parent company are treated equally. Directly and indirectly held investments in Group subsidiaries up to a bank-specific threshold set by FINMA are risk-weighted at 200%. Amounts above the threshold are deducted 50% from CET1 capital and 50% from total eligible capital. The deduction approach is similar to the treatment of capital instruments under Basel III and continues the previously applicable treatment under Swiss regulations. This measure may have the effect of changing RWA and/or total eligible capital. Depending on the calibration of the threshold, investments in Group subsidiaries require total eligible capital in a range between 28% (if all investments are risk-weighted) and 100% (if all investments are deducted from total eligible capital).

Overall, withdrawal of previous forms of relief, the introduction of stricter requirements and the provision of new forms of relief avoid a situation in which requirements at the Bank parent company would effectively dictate requirements at the Group level and, as such, effectively lead to higher capital ratios at the Bank parent company level.

Capital issuances and redemptions

Issuances

On November 19, 2015, the Group held an Extraordinary General Meeting, at which shareholders approved two capital increases. We completed the first capital increase on November 23, 2015 by way of a private placement of 58,000,000 newly issued shares to a number of qualified investors.

We completed the second capital increase by way of a rights offering. A syndicate of major international banks (Managers), including Citigroup Global Markets Limited, HSBC Bank plc and Société Générale (Joint Lead Managers), committed to firmly underwrite the new shares issued under the rights offering, with the exception of the new shares for which investors committed to exercise preemptive subscription rights in connection with the new shares they acquired in the first capital increase. The Group, the Bank and the Joint Lead Managers also entered into conditional purchase arrangements with a number of qualified investors, including certain shareholders, whereby such parties agreed, in return for a fee, at the Managers' option, to purchase a specified number of shares in respect of which pre-emptive rights were not validly exercised during the rights exercise period (rump shares). By the end of the rights exercise period on December 3, 2015, 99.0% of the rights had been exercised and 258,445,328 newly issued shares were subscribed. The remaining 2,538,570 rump shares were sold in the market.

The two capital increases resulted in 318,983,898 newly issued shares and gross proceeds to the Group of CHF 6.0 billion.

Redemptions

In the second quarter of 2015, we redeemed the remaining outstanding perpetual preferred securities of GBP 20 million of additional tier 1 capital instruments subject to phase-out.

In the third quarter of 2015, we called the remaining outstanding principal balances of tier 2 capital instruments subject to phase-out in the amounts of EUR 293 million and GBP 37 million.

Contingent convertible capital instruments

We have issued high-trigger and low-trigger capital instruments to meet our capital requirements. Our high-trigger instruments (with the exception of Contingent Capital Awards (CCA)) mandatorily convert into our ordinary shares upon the occurrence of certain specified triggering events. These events include our CET1 ratio falling below 7% (or any lower applicable minimum threshold), or a determination by >>>FINMA that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. Conversion can only be

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prevented if FINMA, at our request, is satisfied that certain conditions exist and conversion is not required.
High-trigger instruments are designed to absorb losses before our other capital instruments, including the low-trigger capital instruments. The features of low-trigger capital instruments are described below. CCA would not convert into common equity, but would be written down to zero upon a trigger event.

Higher Trigger Capital Amount

The capital ratio write-down triggers for certain of our outstanding capital instruments take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert or be written down prior to the write-down of such capital instruments. The amount of additional capital that is expected to be contributed by such conversion or write-down is referred to as the Higher Trigger Capital Amount.

The following tier 1 capital notes (collectively, Tier 1 Capital Notes), which have a trigger amount of 5.125% and qualify as low trigger capital instruments, were outstanding as of December 31, 2015:
– USD 2.5 billion 6.25% tier 1 capital notes;
– USD 2.25 billion 7.5% tier 1 capital notes; and
– CHF 290 million 6.0% tier 1 capital notes.

The following tier 2 capital notes (collectively, Tier 2 Capital Notes), which have a trigger amount of 5% and qualify as low trigger capital instruments, were outstanding as of December 31, 2015:
– USD 2.5 billion 6.5% tier 2 capital notes; and
– EUR 1.25 billion 5.75% tier 2 capital notes.

Each of the series of Tier 1 Capital Notes and Tier 2 Capital Notes qualify as low-trigger capital instruments and have a write-down feature, which means that the full principal amount of the notes will be permanently written down to zero upon the occurrence of specified triggering events. These events occur when the amount of our CET1 ratio, together with an additional ratio described below that takes into account other outstanding capital instruments, falls below 5.125% for the Tier 1 Capital Notes and 5% for the Tier 2 Capital Notes. The write-down can only be prevented if FINMA, at our request, is satisfied that certain conditions exist and determines a write-down is not required. The capital notes will also be written down upon a non-viability event, which occurs when FINMA determines that a write-down is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 9.2 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all >>>RWA of the Group) was 3.1%, both as of the end of 2015.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 14.3 billion and the Higher Trigger Capital Ratio was 4.9%, both as of the end of 2015.

> Refer to the table “BIS capital metrics – Group” for further information on the BIS metrics used to calculate such measures.

bis Capital metrics

Regulatory capital and ratios

Our CET1 ratio was 14.3% as of the end of 2015 compared to 14.9% as of the end of 2014, reflecting lower CET1 capital and slightly higher >>>RWA. Our tier 1 ratio was 18.0% as of the end of 2015 compared to 17.1% as of the end of 2014. Our total capital ratio was 21.3% as of the end of 2015 compared to 20.8% as of the end of 2014.

CET1 capital was CHF 42.1 billion as of the end of 2015 compared to CHF 43.3 billion as of the end of 2014, mainly reflecting an additional annual 20% phase-in of regulatory deductions from CET1 (from 20% to 40%), including goodwill, other intangible assets and certain deferred tax assets, and an additional annual 20% decrease in the adjustment for the accounting treatment of pension plans (from 80% to 60%), pursuant to phase-in requirements, a net loss attributable to shareholders, adjusted for a regulatory reversal of the goodwill impairment, a negative foreign exchange impact, the cash component of a dividend accrual and the net effect of share-based compensation. These decreases were partially offset by the capital increase.

BIS capital metrics – Group

	Phase-in		Look-through	
end of	2015	2014	2015	2014

			% change			% change
Capital and risk-weighted assets (CHF million)						
CET1 capital	42,072	43,322	(3)	32,938	28,576	15
Tier 1 capital	53,063	49,804	7	44,601	39,892	12
Total eligible capital	62,682	60,751	3	51,425	46,876	10
Risk-weighted assets	294,950	291,410	1	289,946	284,248	2
Capital ratios (%)						
CET1 ratio	14.3	14.9	–	11.4	10.1	–
Tier 1 ratio	18.0	17.1	–	15.4	14.0	–
Total capital ratio	21.3	20.8	–	17.7	16.5	–

Eligible capital – Group

	Phase-in			Look-through		
end of	2015	2014	% change	2015	2014	% change
Eligible capital (CHF million)						
Total shareholders' equity	**44,382**	**43,959**	1	**44,382**	**43,959**	1
Regulatory adjustments [1]	(459)	(375)	22	(459)	(375)	22
Adjustments subject to phase-in						
Accounting treatment of defined benefit pension plans	2,132	2,423	(12)	–	–	–
Common share capital issued by subsidiaries and held by third parties	89	52	71	–	–	–
Goodwill [2]	(1,906)	(1,714)	11	(4,765)	(8,571)	(44)
Other intangible assets [2]	(28)	(28)	0	(71)	(138)	(49)
Deferred tax assets that rely on future profitability	(1,262)	(650)	94	(3,155)	(3,250)	(3)
Shortfall of provisions to expected losses	(234)	(114)	105	(584)	(569)	3
Gains/(losses) due to changes in own credit on fair-valued liabilities	(185)	(53)	249	(463)	(266)	74
Defined benefit pension assets [2]	(244)	(131)	86	(611)	(657)	(7)
Investments in own shares	(8)	(1)	–	(21)	(7)	200
Other adjustments [3]	(2)	1	–	(5)	7	–
Deferred tax assets from temporary differences (threshold-based)	(203)	(47)	332	(1,310)	(1,557)	(16)
Adjustments subject to phase-in	**(1,851)** [4]	**(262)**	–	**(10,985)**	**(15,008)**	(27)
CET1 capital	**42,072**	**43,322**	(3)	**32,938**	**28,576**	15
High-trigger capital instruments (7% trigger)	6,562	6,205	6	6,562	6,205	6
Low-trigger capital instruments (5.125% trigger)	5,101	5,111	0	5,101	5,111	0
Additional tier 1 instruments	**11,663**	**11,316**	3	**11,663**	**11,316**	3
Additional tier 1 instruments subject to phase-out [5]	2,616	2,473	6	–	–	–
Deductions from additional tier 1 capital	(3,288) [6]	(7,307)	(55)	–	–	–
Additional tier 1 capital	**10,991**	**6,482**	70	**11,663**	**11,316**	3
Tier 1 capital	**53,063**	**49,804**	7	**44,601**	**39,892**	12
High-trigger capital instruments (7% trigger)	2,682	2,689	0	2,682	2,689	0
Low-trigger capital instruments (5% trigger)	4,142	4,295	(4)	4,142	4,295	(4)
Tier 2 instruments	**6,824**	**6,984**	(2)	**6,824**	**6,984**	(2)
Tier 2 instruments subject to phase-out	2,970	4,190	(29)	–	–	–

Deductions from tier 2 capital	(175)	(227)	(23)	–	–	–
Tier 2 capital	**9,619**	**10,947**	(12)	**6,824**	**6,984**	(2)
Total eligible capital	**62,682**	**60,751**	3	**51,425**	**46,876**	10

1
Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2
Net of deferred tax liability.
3
Includes cash flow hedge reserve.
4
Reflects 40% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 60% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
5
Includes hybrid capital instruments that are subject to phase-out.
6
Includes 60% of goodwill and other intangible assets (CHF 3.0 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

Additional tier 1 capital increased to CHF 11.0 billion as of the end of 2015 compared to CHF 6.5 billion as of the end of 2014, mainly due to the regulatory adjustment for the goodwill impairment, an additional annual 20% phase-in of regulatory deductions (from 80% to 60%), including goodwill, other intangible assets and other capital deductions, and the impact of an accrual relating to CCA granted as part of deferred compensation.

Tier 2 capital was CHF 9.6 billion as of the end of 2015 compared to CHF 10.9 billion as of the end of 2014, mainly due to the impact of the prescribed amortization requirement as instruments move closer to their maturity date, the redemptions and the negative foreign exchange impact.

Total eligible capital as of the end of 2015 was CHF 62.7 billion compared to CHF 60.8 billion as of the end of 2014, primarily reflecting the increase in additional tier 1 capital, partially offset by decreases in CET1 capital and tier 2 capital.

Capital movement – Group

		Phase-in		Look-through
end of	2015	2014	2015	2014
CET1 capital (CHF million)				
Balance at beginning of period	**43,322**	**42,989**	**28,576**	**26,480**
Net income/(loss) attributable to shareholders	(2,944)	1,875	(2,944)	1,875
Foreign exchange impact	(1,127)[1]	1,967	(1,111)	989
Impact of deductions relating to phase-in requirements	(3,356)	(3,015)	0	0
Issuances	5,832[2]	0	5,832	0
Regulatory adjustment of goodwill and intangible assets, net of deferred tax liability	1,536	14	3,840	71
Regulatory adjustment of own credit on fair-valued financial liabilities	(69)	(108)	(173)	(542)
Other	(1,122)[3]	(400)	(1,082)	(297)
Balance at end of period	**42,072**	**43,322**	**32,938**	**28,576**
Additional tier 1 capital (CHF million)				
Balance at beginning of period	**6,482**	**3,072**	**11,316**	**7,484**
Foreign exchange impact	9	554	6	856
Impact of deductions relating to phase-in requirements	1,827	1,607	0	0
Issuances	0	2,721	0	2,721
Redemptions	(29)	(1,590)	0	0
Regulatory adjustment of goodwill and intangible assets, net of deferred tax liability	2,304	57	0	0
Regulatory adjustment of own credit on fair-valued financial liabilities	(97)	(442)	0	0
Other	495[4]	503	341	255
Balance at end of period	**10,991**	**6,482**	**11,663**	**11,316**
Tier 2 capital (CHF million)				
Balance at beginning of period	**10,947**	**10,227**	**6,984**	**6,245**
Foreign exchange impact	(272)	699	(167)	427
Impact of deductions relating to phase-in requirements	57	62	0	0
Redemptions	(338)	0	0	0
Other	(775)[5]	(41)	7	312
Balance at end of period	**9,619**	**10,947**	**6,824**	**6,984**
Eligible capital (CHF million)				
Balance at end of period	**62,682**	**60,751**	**51,425**	**46,876**

1
Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.
2
Represents the issuance of common shares in the amount of CHF 6.0 billion, net of related fees and taxes, recorded in additional paid-in-capital.
3
Includes the net effect of share-based compensation and pensions, the impact of a dividend accrual, which includes the assumption that 60% of the proposed dividend is distributed in

shares and a change in other regulatory adjustments (e.g., certain deferred tax assets).
4
Reflects a change in regulatory adjustments and other movements on additional tier 1 instruments, including the positive impact of an accrual relating to Contingent Capital Awards granted as part of deferred compensation.
5
Primarily reflects the impact of the prescribed amortization requirement as instruments move closer to their maturity date.

As of the end of 2015, the look-through CET1 ratio was 11.4% compared to 10.1% as of the end of 2014. As of the end of 2015, the look-through total capital ratio was 17.7%, compared to 16.5% as of the end of 2014.

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Risk-weighted assets – Group

								Phase-in
	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Corporate Center	Group
2015 (CHF million)								
Credit risk	47,833	18,496	15,577	41,195	14,559	38,335	17,203	**193,198**
Market risk	658	725	5,170	19,247	83	3,747	169	**29,799**
Operational risk	11,056	12,932	6,812	13,206	3,182	19,250	0	**66,438**
Non-counterparty risk	322	254	65	58	0	306	4,510	**5,515**
Risk-weighted assets	**59,869**	**32,407**	**27,624**	**73,706**	**17,824**	**61,638**	**21,882**	**294,950**
2014 (CHF million)								
Credit risk	46,789	19,557	14,372	39,728	12,284	41,553	18,380	**192,663**
Market risk	871	789	6,951	21,280	0	4,406	171	**34,468**
Operational risk	9,316	10,897	5,740	12,222	1,586	18,652	0	**58,413**
Non-counterparty risk	315	228	76	50	0	461	4,736	**5,866**
Risk-weighted assets	**57,291**	**31,471**	**27,139**	**73,280**	**13,870**	**65,072**	**23,287**	**291,410**

								Look-through
	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Corporate Center	Group
2015 (CHF million)								
Credit risk	47,833	18,496	15,577	41,195	14,559	38,335	12,199	**188,194**
Market risk	658	725	5,170	19,247	83	3,747	169	**29,799**
Operational risk	11,056	12,932	6,812	13,206	3,182	19,250	0	**66,438**
Non-counterparty risk	322	254	65	58	0	306	4,510	**5,515**
Risk-weighted assets	**59,869**	**32,407**	**27,624**	**73,706**	**17,824**	**61,638**	**16,878**	**289,946**
2014 (CHF million)								
Credit risk	46,789	19,557	14,372	39,728	12,284	41,553	11,218	**185,501**
Market risk	871	789	6,951	21,280	0	4,406	171	**34,468**
Operational risk	9,316	10,897	5,740	12,222	1,586	18,652	0	**58,413**
Non-counterparty risk	315	228	76	50	0	461	4,736	**5,866**
Risk-weighted assets	**57,291**	**31,471**	**27,139**	**73,280**	**13,870**	**65,072**	**16,125**	**284,248**

Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into >>>RWA that are categorized as credit, market, operational and non-counterparty-risk RWA. When assessing RWA, it is not the nominal size, but the nature (including >>>risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Under >>>Basel III, certain regulatory capital adjustments are dependent on the level of CET1 capital (thresholds). The amount above the threshold is deducted from CET1 capital and the amount below the threshold is risk weighted. RWA subject to such threshold adjustments are included in credit risk RWA. Market risk RWA reflect the capital requirements of potential changes in the >>>fair values of financial instruments in response to market movements inherent in both balance sheet and off-balance sheet items. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty-risk RWA primarily reflect the capital requirements for our premises and equipment.

RWA increased 1% to CHF 295.0 billion as of the end of 2015 from CHF 291.4 billion as of the end of 2014, primarily driven by internal methodology and policy changes in operational risk and credit risk. There were also increases in external methodology and policy changes in credit risk and model and parameter updates, primarily in operational risk. This was partially offset by movements in risk levels, primarily in credit risk, and the foreign exchange impact.

Excluding the foreign exchange impact, the increase in **credit risk** was primarily driven by internal and external methodology and policy changes, partially offset by movements in risk levels. External methodology and policy changes related to the introduction of a multiplier on certain investment banking corporate exposures and the impact of calculating RWA for certain banking book securitizations under the standardized approach, previously calculated under the >>>A-IRB approach. External methodology and policy changes also reflected the phase-in of the multipliers on residential and commercial IPRE and new regulatory requirements relating to collateral eligibility criteria. The increase in internal methodology

and policy changes mainly resulted from model adjustments in response to the SNB's decision to discontinue the minimum exchange rate of the Swiss franc against the euro, an improvement in the calculation of derivative risk and a change in the calculation methodology for lombard lending. Increases in model and parameter updates were primarily driven by a time series update of the data set related to CVA and an annual >>>PD update. Movements in risk levels were attributable to book size and book quality. The decrease attributable to book size primarily resulted from reductions in derivative exposures, the impact of the Basel III phase-in requirements at the beginning of 2015 and a new loan securitization, partially offset by an increase in commercial lending exposures. The decrease attributable to book quality primarily resulted from lower risk weightings of lending exposures.

Excluding the foreign exchange impact, the decrease in **market risk** was primarily driven by decreases in model and parameter updates and internal methodology and policy changes, partially offset by movements in risk levels. The decrease in model and parameter updates related to changes in market data and stressed spreads and the decrease in internal methodology and policy changes was mainly due to refinements of certain risk models. The movements in risk levels relating to market volatility were partially offset by reductions in trading book securitizations.

The movement in **operational risk** was driven by methodology and policy changes and model and parameter updates. The internal methodology and policy changes primarily included certain >>>AMA model enhancements, including the introduction of an analytical approach to capture the aggregate range of reasonably possible litigation losses that are not covered by existing provisions. These reasonably possible litigation losses were previously captured through an add-on component under external methodology and policy changes. The add-on component was removed with >>>FINMA approval in connection with the introduction of the new analytical approach. The increase in model and parameter updates resulted from revised scenarios relating to litigation matters in 2015.

Risk-weighted asset movement by risk type – Group

2015 (CHF million)	Credit risk	Market risk	Operational risk	Non-counterparty risk	Total risk-weighted assets
Group					
Balance at beginning of period	**192,663**	**34,468**	**58,413**	**5,866**	**291,410**
Foreign exchange impact	(3,139)	(874)	0	0	(4,013)
Movements in risk levels	(11,036)	2,122	0	(351)	(9,265)
of which credit risk – book size[1]	(6,643)	–	–	–	–
of which credit risk – book quality[2]	(4,393)	–	–	–	–
Model and parameter updates[3]	958	(3,327)	3,600	0	1,231
Methodology and policy – internal[4]	5,314	(2,590)	11,300	0	14,024
Methodology and policy – external[5]	8,438	0	(6,875)	0	1,563
Balance at end of period – phase-in	**193,198**	**29,799**	**66,438**	**5,515**	**294,950**
Look-through adjustment[6]	(5,004)	–	–	–	(5,004)
Balance at end of period – look-through	**188,194**	**29,799**	**66,438**	**5,515**	**289,946**

1
Represents changes in portfolio size.
2
Represents changes in average risk weighting across credit risk classes.
3
Represents movements arising from updates to models and recalibrations of parameters.
4
Represents internal changes impacting how exposures are treated.
5
Represents externally prescribed regulatory changes impacting how exposures are treated.
6
The look-through adjustment impacts only credit risk within the Corporate Center. The difference between phase-in and look-through risk-weighted assets relates to transitional

arrangements such as the impact from pension assets and deferred tax assets not deducted from CET1 during the phase-in period and the transitional impact from threshold-related risk-weighted assets.

LEVERAGE METRICS

Beginning in the first quarter of 2015, Credit Suisse adopted the >>>BIS leverage ratio framework, as issued by the >>>BCBS and implemented in Switzerland by >>>FINMA. Under the BIS framework, the leverage ratio measures tier 1 capital against the end-of-period exposure. BIS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BIS requirements as implemented in Switzerland by FINMA. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown here. As used herein, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments. Leverage amounts as of the end of 2014, which are presented to show meaningful comparative information, are based on estimates which are calculated as if the BIS leverage ratio framework had been effective in Switzerland at such time.

Leverage exposure components – Group

	Phase-in			Look-through		
end of	2015	2014	% change	2015	2014	% change
Leverage exposure (CHF million)						
Balance sheet assets	**820,805**	**921,462**	(11)	**820,805**	**921,462**	(11)
Adjustments						
Difference in scope of consolidation and tier 1 capital deductions [1]	(10,553)	(18,896)	(44)	(16,431)	(26,797)	(39)
Derivative financial instruments	104,353	171,087	(39)	104,353	171,087	(39)
Securities financing transactions	(16,214)	(13,965)	16	(16,214)	(13,965)	16
Off-balance sheet	95,115	97,869	(3)	95,115	97,869	(3)
Total adjustments	**172,701**	**236,095**	(27)	**166,823**	**228,194**	(27)
Leverage exposure	**993,506**	**1,157,557**	(14)	**987,628**	**1,149,656**	(14)

1
Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

Look-through leverage exposure – Group

	2015	2014
Look-through leverage exposure (CHF million)		
Swiss Universal Bank	235,700	238,856
International Wealth Management	99,112	84,369
Asia Pacific	98,698	137,843
Global Markets	313,315	412,316
Investment Banking & Capital Markets	42,861	42,017
Strategic Resolution Unit	138,219	219,075
Corporate Center	59,723	15,180
Leverage exposure	**987,628**	**1,149,656**

BIS leverage metrics – Group

	Phase-in			Look-through		
end of	2015	2014	% change	2015	2014	% change
Capital (CHF million)						
CET1 capital	42,072	43,322	(3)	32,938	28,576	15
Tier 1 capital	53,063	49,804	7	44,601	39,892	12
Leverage exposure (CHF million)						
Leverage exposure	993,506	1,157,557	(14)	987,628	1,149,656	(14)
Leverage ratios (%)						
CET1 leverage ratio	4.2	3.7	–	3.3	2.5	–
Tier 1 leverage ratio	5.3	4.3	–	4.5	3.5	–

The leverage exposure was CHF 993.5 billion as of the end of 2015 a decrease of 14% compared to the end of 2014. The decrease is primarily due to a reduction in the Group's consolidated balance sheet, reflecting a decrease in operating activities and the foreign exchange translation impact. The leverage exposure was also impacted by a decrease in adjustments for derivative financial instruments, reflecting a reduction in derivative transactions.

> Refer to "Balance sheet, off-balance sheet and other contractual obligations" for further information on the reduction in the Group's consolidated balance sheet.

BIS leverage ratios – Group

The tier 1 leverage ratio was 5.3% as of the end of 2015, with a CET1 component of 4.2%. On a look-through basis, the tier 1 leverage ratio was 4.5%, with a CET1 component of 3.3%.

The tier 1 leverage ratio increased from 4.3% as of the end of 2014, reflecting the decrease in leverage exposure and the increase in tier 1 capital. The CET1 leverage ratio increased from 3.7% as of the end of 2014, reflecting the decrease in leverage exposure, partially offset by lower CET1 capital.

> Refer to "BIS capital metrics" for further information on the movements in CET1 and tier 1 capital.

SWISS Capital metrics

Swiss regulatory capital and ratios

> Refer to "Swiss Requirements" in Regulatory capital framework for further information on Swiss regulatory requirements.

Swiss CET1 capital consists of >>>BIS CET1 capital and certain Swiss regulatory adjustments. Swiss total eligible capital consists of Swiss CET1 capital, high-trigger capital instruments, low-trigger capital instruments, additional tier 1 instruments and tier 2 instruments subject to phase-out and deductions from additional tier 1 and tier 2 capital.

As of the end of 2015, our Swiss CET1 capital and Swiss total capital ratios were 14.2% and 21.1%, respectively, compared to the Swiss capital ratio phase-in requirements of 7.37% and 12.16%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 32.8 billion and our Swiss CET1 ratio was 11.3% as of the end of 2015. Our Swiss total eligible capital was CHF 51.3 billion and our Swiss total capital ratio was 17.6% as of the end of 2015, each on a look-through basis.

Swiss capital metrics – Group

			Phase-in			Look-through
end of	2015	2014	% change	2015	2014	% change
Capital development (CHF million)						
CET1 capital	42,072	43,322	(3)	32,938	28,576	15
Swiss regulatory adjustments [1]	(143)	(133)	8	(151)	(143)	6
Swiss CET1 capital	**41,929**	**43,189**	**(3)**	**32,787**	**28,433**	**15**
Additional tier 1 instruments	6,562	6,204	6	6,562	6,204	6
Tier 2 instruments	2,682	2,689	0	2,682	2,689	0
High-trigger capital instruments	**9,244**	**8,893**	4	**9,244**	**8,893**	4
Additional tier 1 instruments	5,101	5,111	0	5,101	5,111	0
Tier 2 instruments	4,142	4,295	(4)	4,142	4,295	(4)
Low-trigger capital instruments	**9,243**	**9,406**	(2)	**9,243**	**9,406**	(2)
Additional tier 1 and tier 2 instruments subject to phase-out	5,586	6,663	(16)	–	–	–
Deductions from additional tier 1 and tier 2 capital	(3,463)	(7,533)	(54)	–	–	–
Swiss total eligible capital	**62,539**	**60,618**	**3**	**51,274**	**46,732**	**10**
Risk-weighted assets (CHF million)						
Risk-weighted assets – Basel III	294,950	291,410	1	289,946	284,248	2
Swiss regulatory adjustments [2]	908	1,058	(14)	907	1,057	(14)
Swiss risk-weighted assets	**295,858**	**292,468**	**1**	**290,853**	**285,305**	**2**
Swiss capital ratios (%)						
Swiss CET1 ratio	14.2	14.8	–	11.3	10.0	–
Swiss total capital ratio	21.1	20.7	–	17.6	16.4	–

1

Includes adjustments for certain unrealized gains outside the trading book.

2

Primarily includes differences in the credit risk multiplier.

The following table presents the Swiss Requirements for each of the relevant capital components and discloses our current capital metrics against those requirements.

Swiss capital requirements and coverage – Group

					Group
	Capital requirements				
end of	Minimum component	Buffer component	Progressive component	Excess	2015
Risk-weighted assets (CHF billion)					
Swiss risk-weighted assets	–	–	–	–	**295.9**
2015 Swiss capital requirements [1]					
Minimum Swiss capital ratio	4.50%	5.12%[2]	2.54%	–	**12.16%**
Minimum Swiss capital (CHF billion)	13.3	15.2	7.5	–	**36.0**
Swiss capital coverage (CHF billion)					
Swiss CET1 capital	13.3	8.5	–	20.1	**41.9**
High-trigger capital instruments	–	6.7	–	2.6	**9.2**
Low-trigger capital instruments	–	–	7.5	1.8	**9.2**
Additional tier 1 and tier 2 instruments subject to phase-out	–	–	–	5.6	**5.6**
Deductions from additional tier 1 and tier 2 capital	–	–	–	(3.5)	**(3.5)**
Swiss total eligible capital	**13.3**	**15.2**	**7.5**	**26.6**	**62.5**
Swiss capital ratios (%)					
Swiss total capital ratio	4.50%	5.12%	2.54%	8.98%	**21.14%**

Rounding differences may occur.

1

The Swiss capital requirements are based on a percentage of RWA.

2

Excludes countercyclical buffer that was required as of September 30, 2013. As of the end of 2015, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 351 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

Swiss leverage metrics

The leverage exposure used in the Swiss leverage ratio is measured on the same period-end basis as the leverage exposure for the >>>BIS leverage ratio.

Swiss leverage metrics – Group

	Phase-in			Look-through		
end of	2015	2014	% change	2015	2014	% change
Swiss leverage metrics (CHF million, except where indicated)						
Swiss total eligible capital	62,539	60,618	3	51,274	46,732	10
Leverage exposure	993,506	1,157,557	(14)	987,628	1,149,656	(14)
Swiss leverage ratio (%)	6.3	5.2	–	5.2	4.1	–

The Swiss leverage ratio is calculated as Swiss total eligible capital, including high- and low-trigger capital instruments, divided by leverage exposure.

As of the end of 2015, our Swiss leverage ratio was 6.3% compared to a requirement of 2.92%.

The Group's look-through Swiss leverage ratio was 5.2% as of the end of 2015, compared to the current 4.09% requirement effective 2019, reflecting our progressive component requirement for 2015. For 2016, the Swiss leverage ratio requirement effective 2019 will be 4.34%.

The following table presents the Swiss Requirements relating to each of the relevant capital components and discloses our current leverage metrics against those requirements.

Swiss leverage requirements and coverage – Group

	Capital requirements				Group
end of	Minimum component	Buffer component	Progressive component	Excess	2015
Exposure (CHF billion)					
Leverage exposure	–	–	–	–	**993.5**
2015 Swiss leverage requirements					
Minimum Swiss leverage ratio	1.08%	1.23%	0.61%	–	**2.92%**
Minimum Swiss capital (CHF billion)	10.7	12.2	6.0	–	**29.0**
Swiss capital coverage (CHF billion)					
Swiss CET1 capital	10.7	6.9	–	24.3	**41.9**
High-trigger capital instruments	–	5.4	–	3.9	**9.2**
Low-trigger capital instruments	–	–	6.0	3.2	**9.2**
Additional tier 1 and tier 2 instruments subject to phase-out	–	–	–	5.6	**5.6**
Deductions from additional tier 1 and tier 2 capital	–	–	–	(3.5)	**(3.5)**
Swiss total eligible capital	**10.7**	**12.2**	**6.0**	**33.6**	**62.5**
Swiss leverage ratio (%)					
Swiss leverage ratio	1.08%	1.23%	0.61%	3.38%	**6.29%**

Rounding differences may occur.

Bank regulatory disclosures

The following capital, >>>RWA and leverage disclosures apply to the Bank. The business of the Bank is substantially the same as that of the Group, including business drivers and trends relating to capital, RWA and leverage metrics.

Regulatory capital and ratios – Bank

> Refer to "BIS capital metrics", "Risk-weighted assets" and "Leverage metrics" for further information.

BIS capital metrics – Bank

			Phase-in
end of	2015	2014	% change
Capital and risk-weighted assets (CHF million)			
CET1 capital	40,013	40,853	(2)
Tier 1 capital	50,570	47,114	7
Total eligible capital	60,242	58,111	4
Risk-weighted assets	286,947	282,994	1
Capital ratios (%)			
CET1 ratio	13.9	14.4	–
Tier 1 ratio	17.6	16.6	–
Total capital ratio	21.0	20.5	–

Eligible capital and risk-weighted assets – Bank

end of	2015	2014	Phase-in % change
Eligible capital (CHF million)			
Total shareholder's equity	**43,406**	**42,895**	1
Regulatory adjustments [1]	(5)	(66)	(92)
Adjustments subject to phase-in	(3,388) [2]	(1,976)	71
CET1 capital	**40,013**	**40,853**	(2)
Additional tier 1 instruments	10,805 [3]	10,410	4
Additional tier 1 instruments subject to phase-out [4]	2,616	2,473	6
Deductions from additional tier 1 capital	(2,864) [5]	(6,622)	(57)
Additional tier 1 capital	**10,557**	**6,261**	69
Tier 1 capital	**50,570**	**47,114**	7
Tier 2 instruments	6,865 [6]	7,014	(2)
Tier 2 instruments subject to phase-out	2,970	4,196	(29)
Deductions from tier 2 capital	(163)	(213)	(23)
Tier 2 capital	**9,672**	**10,997**	(12)
Total eligible capital	**60,242**	**58,111**	4
Risk-weighted assets by risk type (CHF million)			
Credit risk	185,574	184,531	1
Market risk	29,755	34,439	(14)
Operational risk	66,438	58,413	14
Non-counterparty risk	5,180	5,611	(8)
Risk-weighted assets	**286,947**	**282,994**	1

1
Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2
Primarily reflects 40% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets.
3
Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.6 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.2 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
4
Includes hybrid capital instruments that are subject to phase-out.
5
Includes 60% of goodwill and other intangible assets (CHF 2.4 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
6
Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.1 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

The Bank's CET1 ratio was 13.9% as of the end of 2015 compared to 14.4% as of the end of 2014, reflecting lower CET1 capital and slightly higher RWA. The Bank's tier 1 ratio was 17.6% as of the end of 2015 compared to 16.6% as of the end of 2014. The Bank's total capital ratio was 21.0% as of the end of 2015 compared to 20.5% as of the end of 2014.

CET1 capital was CHF 40.0 billion as of the end of 2015 compared to CHF 40.9 billion as of the end of 2014, mainly reflecting a net loss attributable to shareholders, adjusted for the regulatory reversal of the goodwill impairment, an

additional annual 20% phase-in of regulatory deductions from CET1 (from 20% to 40%), including goodwill, other intangible assets and certain deferred tax assets, a negative foreign exchange impact and the net effect of share-based compensation. These decreases were partially offset by the capital contribution from the Group following its capital increase.

Additional tier 1 capital was CHF 10.6 billion as of the end of 2015 compared to CHF 6.3 billion as of the end of 2014, mainly due to the regulatory adjustment for the goodwill impairment, an additional annual 20% phase-in of regulatory deductions (from 80% to 60%), including goodwill, other intangible assets and other capital deductions, and the impact of an accrual relating to CCA granted as part of deferred compensation.

Tier 2 capital was CHF 9.7 billion as of the end of 2015 compared to CHF 11.0 billion as of the end of 2014, mainly due to the impact of the prescribed amortization requirement as instruments move closer to their maturity date, the redemptions and the negative foreign exchange impact.

The Bank's total eligible capital was CHF 60.2 billion as of the end of 2015 compared to CHF 58.1 billion as of the end of 2014.

RWA increased CHF 4.0 billion to CHF 286.9 billion as of the end of 2015 compared to CHF 283.0 billion as of the end of 2014.

Leverage exposure components – Bank

end of	2015	2014	Phase-in % change
Leverage exposure (CHF million)			
Balance sheet assets	**803,931**	**904,849**	(11)
Adjustments			
Difference in scope of consolidation and tier 1 capital deductions [1]	(13,059)	(21,049)	(38)
Derivative financial instruments	104,604	171,711	(39)
Securities financing transactions	(16,215)	(13,955)	16
Off-balance sheet	94,312	97,142	(3)
Total adjustments	**169,642**	**233,849**	(27)
Leverage exposure	**973,573**	**1,138,698**	(15)

1
Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

BIS leverage metrics – Bank

end of	2015	2014	Phase-in % change
Capital (CHF million)			
CET1 capital	40,013	40,853	(2)
Tier 1 capital	50,570	47,114	7
Leverage exposure (CHF million)			
Leverage exposure	973,573	1,138,698	(15)
Leverage ratios (%)			
CET1 leverage ratio	4.1	3.6	–
Tier 1 leverage ratio	5.2	4.1	–

Swiss capital and leverage metrics – Bank

> Refer to “Swiss capital metrics” and “Swiss leverage metrics” for further information.

Swiss capital and leverage metrics – Bank

end of	2015	2014	Phase-in % change
Capital development (CHF million)			
CET1 capital	40,013	40,853	(2)
Swiss regulatory adjustments [1]	(117)	(111)	5
Swiss CET1 capital	**39,896**	**40,742**	(2)
High-trigger capital instruments	9,350[2]	8,944	5
Low-trigger capital instruments	8,320[3]	8,480	(2)
Additional tier 1 and tier 2 instruments subject to phase-out	5,586	6,669	(16)
Deductions from additional tier 1 and tier 2 capital	(3,027)	(6,835)	(56)
Swiss total eligible capital	**60,125**	**58,000**	4
Risk-weighted assets (CHF million)			
Risk-weighted assets – Basel III	286,947	282,994	1
Swiss regulatory adjustments [4]	909	1,048	(13)
Swiss risk-weighted assets	**287,856**	**284,042**	1
Leverage exposure (CHF million)			
Leverage exposure	**973,573**	**1,138,698**	
Swiss capital and leverage ratios (%)			
Swiss CET1 ratio	13.9	14.3	–
Swiss total capital ratio	20.9	20.4	
Swiss leverage ratio	6.2	5.1	–

1
Includes adjustments for certain unrealized gains outside the trading book.
2
Consists of CHF 6.6 billion additional tier 1 instruments and CHF 2.7 billion tier 2 instruments.
3
Consists of CHF 4.2 billion additional tier 1 instruments and CHF 4.1 billion tier 2 instruments.
4
Primarily includes differences in the credit risk multiplier.

Swiss capital requirements and coverage – Bank

	Capital requirements				Bank
end of	Minimum component	Buffer component	Progressive component	Excess	2015
Risk-weighted assets (CHF billion)					
Swiss risk-weighted assets	–	–	–	–	**287.9**
2015 Swiss capital requirements [1]					
Minimum Swiss capital ratio	4.50%	5.12%[2]	2.54%	–	**12.16%**
Minimum Swiss capital (CHF billion)	13.0	14.8	7.3	–	**35.0**
Swiss capital coverage (CHF billion)					
Swiss CET1 capital	13.0	8.3	–	18.7	**39.9**
High-trigger capital instruments	–	6.5	–	2.9	**9.4**
Low-trigger capital instruments	–	–	7.3	1.0	**8.3**
Additional tier 1 and tier 2 instruments subject to phase-out	–	–	–	5.6	**5.6**
Deductions from additional tier 1 and tier 2 capital	–	–	–	(3.0)	**(3.0)**

Swiss total eligible capital	**13.0**	**14.8**	**7.3**	**25.1**	**60.1**
Swiss capital ratio (%)					
Swiss total capital ratio	4.50%	5.12%	2.54%	8.73%	**20.89%**

Rounding differences may occur.

1

The Swiss capital requirements are based on a percentage of RWA.

2

Excludes countercyclical buffer that was required as of September 30, 2013. As of the end of 2015, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 286 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

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Swiss leverage requirements and coverage – Bank

					Bank
	Capital requirements				
end of	Minimum component	Buffer component	Progressive component	Excess	2015
Exposure (CHF billion)					
Leverage exposure	–	–	–	–	**973.6**
2015 Swiss leverage requirements					
Minimum Swiss leverage ratio	1.08%	1.23%	0.61%	–	**2.92%**
Minimum Swiss capital (CHF billion)	10.5	12.0	5.9	–	**28.4**
Swiss capital coverage (CHF billion)					
Swiss CET1 capital	10.5	6.7	–	22.7	**39.9**
High-trigger capital instruments	–	5.3	–	4.1	**9.4**
Low-trigger capital instruments	–	–	5.9	2.4	**8.3**
Additional tier 1 and tier 2 instruments subject to phase-out	–	–	–	5.6	**5.6**
Deductions from additional tier 1 and tier 2 capital	–	–	–	(3.0)	**(3.0)**
Swiss total eligible capital	**10.5**	**12.0**	**5.9**	**31.7**	**60.1**
Swiss leverage ratio (%)					
Swiss leverage ratio	1.08%	1.23%	0.61%	3.26%	**6.18%**

Rounding differences may occur.

other regulatory disclosures

In connection with the implementation of >>>Basel III, certain regulatory disclosures for the Group, the Bank, the Bank parent company and Credit Suisse International are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, G-SIB financial indicators, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures, leverage ratios and certain liquidity disclosures can be found on our website.

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

Shareholders' equity and share metrics

Total shareholders' equity

Group

Our total shareholders' equity was CHF 44.4 billion as of the end of 2015 compared to CHF 44.0 billion as of the end of 2014. Total shareholders' equity was positively impacted by the CHF 6.0 billion increase in capital from the issuance of common shares and an increase in the share-based compensation obligation. These increases were mostly offset by a net loss attributable to shareholders, transactions relating to the settlement of share-based compensation awards, foreign exchange-related movements on cumulative translation adjustments, an actuarial loss from the re-measurement of the Group's defined benefit pension assets and liabilities as of the end of 2015 and dividends paid.

> Refer to the "Consolidated statements of changes in equity" in V – Consolidated financial statements – Credit Suisse Group for further information on the Group's total shareholders' equity.

Bank

The Bank's total shareholder's equity was CHF 43.4 billion as of the end of 2015 compared to CHF 42.9 billion as of the end of 2014. Total shareholder's equity was positively impacted by a capital contribution from the Group. This increase was partially offset by a net loss attributable to shareholder, transactions relating to the settlement of share-based compensation awards and foreign exchange-related movements on cumulative translation adjustments.

> Refer to the "Consolidated statements of changes in equity" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information on the Bank's total shareholder's equity.

Shareholders' equity and share metrics

			Group			Bank
			%			%
end of	2015	2014	change	2015	2014	change
Shareholders' equity (CHF million)						
Common shares	78	64	22	4,400	4,400	0
Additional paid-in capital	31,925	27,007	18	39,883	34,842	14
Retained earnings	29,139	32,083	(9)	12,427	15,877	(22)
Treasury shares, at cost	(125)	(192)	(35)	–	–	–
Accumulated other comprehensive income/(loss)	(16,635)	(15,003)	11	(13,304)	(12,224)	9
Total shareholders' equity	**44,382**	**43,959**	1	**43,406**	**42,895**	1
Goodwill	(4,808)	(8,644)	(44)	(3,929)	(7,766)	(49)
Other intangible assets	(196)	(249)	(21)	(196)	(249)	(21)
Tangible shareholders' equity [1]	**39,378**	**35,066**	12	**39,281**	**34,880**	13
Shares outstanding (million)						
Common shares issued	1,957.4	1,607.2	22	4,399.7	4,399.7	0
Treasury shares	(5.9)	(7.7)	(23)	–	–	–
Shares outstanding	**1,951.5**	**1,599.5**	22	**4,399.7**	**4,399.7**	0
Par value (CHF)						
Par value	**0.04**	**0.04**	0	**1.00**	**1.00**	0
Book value per share (CHF)						
Total book value per share	**22.74**	**27.48**	(17)	**9.87**	**9.75**	1
Goodwill per share	(2.46)	(5.40)	(54)	(0.90)	(1.76)	(49)
Other intangible assets per share	(0.10)	(0.16)	(38)	(0.04)	(0.06)	(33)
Tangible book value per share [1]	**20.18**	**21.92**	(8)	**8.93**	**7.93**	13

1
Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

Share repurchases

The Swiss Code of Obligations limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our parent company financial statements in the amount of the purchase price of the acquired shares. In our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

We purchased 808.7 million treasury shares and sold or re-issued 766.1 million treasury shares in 2015, predominantly for market-making purposes and facilitating customer orders. As of December 31, 2015, the Group held 5.9 million treasury shares.

> Refer to "Impact of share-based compensation on shareholders' equity" in IV – Corporate Governance and Compensation – Compensation – Group compensation for further information.

Purchases and sales of treasury shares

		Average
		price
	Number	per share
In million, except where indicated	of shares	in CHF

2015		
January	35.0	20.97
February	52.3	22.57
March	30.0	25.05
April	89.7	25.66
May	56.8	24.63
June	78.3	25.77
July	57.5	27.41
August	59.0	27.10
September	65.1	25.02
October	89.9	23.99
November	121.0	23.22
December	74.1	21.65
Total purchase of treasury shares	**808.7**	**–**
Total sale of treasury shares	**766.1**	**–**

Dividends and dividend policy

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. Our reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the Annual General Meeting (AGM). The Board of Directors may propose that a dividend be paid out, but cannot itself set the dividend. In Switzerland, the auditors have to confirm whether the appropriation of retained earnings is in accordance with Swiss law and articles of incorporation. In practice, the shareholders usually approve the dividend proposal of the Board of Directors. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under the Swiss Code of Obligations, the statute of limitations in respect of claiming the payment of dividends that have been declared is five years.

Our dividend payment policy seeks to provide investors with a stable and efficient form of capital distribution relative to earnings. The dividend payment made in 2015 for the financial year 2014 was comprised of a distribution of CHF 0.70 per share payable out of capital contribution reserves in cash or, upon shareholder election and subject to legal restrictions applicable in shareholders' home jurisdictions, a scrip dividend or a combination thereof. The distribution was free of Swiss withholding tax and was not subject to income tax for Swiss resident individuals holding the shares as a private investment. Our Board of Directors will propose to the shareholders at the AGM on April 29, 2016 a distribution of CHF 0.70 per share out of capital contribution reserves for the financial year 2015. 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 or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new Group shares at the option of the shareholder. The Board proposes to increase the authorized capital to a maximum of CHF 9.2 million (equivalent to 230,000,000 registered shares), of which CHF 5.2 million (equivalent to 130,000,000 registered shares) are exclusively reserved for servicing a stock dividend or a scrip dividend. In case the AGM does not support the increase of authorized capital for stock or scrip dividend, no dividend distribution will take place. The ex-dividend date has been set to May 19, 2016.

Reflecting our holding company structure, the Group is not an operating company and holds investments in subsidiaries. It is therefore reliant on the dividends of its subsidiaries to pay shareholder dividends and service its long-term debt. The subsidiaries of the Group are generally subject to legal restrictions on the amount of dividends they can pay. The amount of dividends paid by operating subsidiaries is determined after consideration of the expectations for future results and growth of the operating businesses.

> Refer to "Proposed distribution out of capital contribution reserves" in VI – Parent company financial statements – Credit Suisse Group – Proposed appropriation of retained earnings and capital distribution for further information on dividends.

Dividend per ordinary share

	USD[1]	CHF
Dividend per ordinary share for the financial year		
2014	0.75	0.70
2013	0.79	0.70
2012[2]	0.80	0.75
2011	0.78	0.75
2010	1.48	1.30

1
Represents the distribution on each American Depositary Share. For further information, refer to www.credit-suisse.com/dividend.

2
Distribution consisted of CHF 0.10 (USD 0.11) per share in cash and a stock dividend with a theoretical value of approximately CHF 0.65 (USD 0.69) per subscription right as approved at the AGM on April 26, 2013 for the financial year 2012.

Foreign exchange exposure and interest rate management

Foreign exchange risk associated with investments in branches, subsidiaries and affiliates is managed within defined parameters that create a balance between the interests of stability of capital adequacy ratios and the preservation of Swiss franc shareholders' equity. The decisions regarding these parameters are made by CARMC and are regularly reviewed. Foreign exchange risk associated with the nonfunctional currency net assets of branches and subsidiaries is managed through a combination of forward-looking and concurrent backward-looking hedging activity, which is aimed at reducing the foreign exchange rate induced volatility of reported earnings.

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. Further, Treasury manages the interest exposure of the Bank's equity to targets agreed with senior management.

Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and continued to be a key focus area in 2015. During the year, we took additional steps to adapt our business and risk management practices to reflect changes in our operating environment. In addition, our risk organization has been further restructured to support our strategic direction and enhance the interconnection of legal entity oversight responsibilities and global risk functions. We continue to adapt our risk management frameworks to the new Group strategy and structure announced on October 21, 2015.

Key Risk developments

2015 was a year marked by continued concerns over slowing global economic growth. While some economies strengthened, others, particularly emerging economies, were pressured by falling commodity prices, depreciating currencies and rising geopolitical tensions.

China slowdown

During 2015, the slowdown in economic growth in China intensified, although it stabilized towards the end of the year supported by monetary and fiscal stimulus measures. A sharp decline in the Chinese stock market coupled with volatility in international equity markets had an impact on foreign exchange and commodity markets. The effects of the slowdown in China spread rapidly to other emerging market economies, with currency depreciation and high inflation in certain countries dampening growth. We closely monitor conditions in China for impacts on our exposures, with particular emphasis on evaluating the effects of an ongoing slowdown in the Chinese economy on global markets.

Falling commodity prices

Global commodity markets declined throughout 2015, led by declining demand from China. The slowing Chinese economy led to reduced imports of key industrial commodities such as iron ore and copper, resulting in lower prices for these commodities globally. Energy prices were weakened by an increase in crude oil supply, accompanied by record high oil storage volumes. Slowing Chinese and emerging market growth also led to decreased demand for oil and gas, with accelerating energy price declines during the fourth quarter of 2015. We continue to closely monitor our commodity exposures, with particular emphasis on lending exposures to oil and gas exploration and production companies. The majority of our loans to these companies are collateralized by oil and gas reserves.

Emerging markets

Emerging market economies worldwide declined during 2015, as depreciating currencies and rapidly declining energy prices drove large-scale oil producers into recession. Russia's economy contracted markedly, driven by a combination of oil price declines and tight monetary policy. Brazil suffered from rising unemployment and a surge in inflation, with the government response constrained by escalating social unrest. We closely monitor and manage our exposure to emerging markets and remain vigilant in assessing the impact of geopolitical risks on our businesses.

High yield credit (leveraged finance)

High yield credit markets weakened during 2015, against a backdrop of slowing economic growth and volatile equity markets. Credit spreads widened sharply during the second half of the year, with plunging oil prices leading to deteriorating credit profiles for energy firms. With declining investor demand for high yield products, market liquidity for high yield bonds and loans decreased. We continue to closely monitor our leveraged finance exposures amid challenging market conditions.

Cyber-attacks

Cyber threats are continuously evolving, becoming more sophisticated, targeted and sustained. In anticipation of heightened regulatory expectations and scrutiny, we strengthened our governance in 2015 to ensure that top operational and IT risks are timely identified and addressed in alignment with our risk appetite. We regularly assess the effectiveness of our key controls and conduct training and awareness activities to mitigate risk. Incidents with a significant financial or reputational impact or control failure are reported to the Board and examined in depth to identify root causes and propose remediation.

Swiss macroeconomic trends

Swiss corporate defaults merited additional scrutiny in 2015 due to the impact of the SNB's decision to discontinue the minimum exchange rate of CHF 1.20 per euro and lower the interest rate by 50 basis points to (0.75)% on sight deposits that exceed a certain threshold. The Swiss economy slowed considerably during 2015, as the strengthening of the Swiss franc led to a reduction in Swiss exports, decreased domestic consumer spending and retail sales, and an

increase in unemployment. The leisure and hospitality sector suffered a moderate downturn. The quality of our credit portfolio remains high, with any impact from the economic distress mitigated by a large percentage of collateralized loans. We closely monitor our Swiss loan book in sectors with the highest expected impact, such as the retail and export industries, in light of continuing high market volatility and the negative interest rate environment.

Risk management oversight

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

To meet the challenges of a volatile market environment and changing regulatory frameworks, we work to continuously strengthen risk management throughout the Group. We have comprehensive risk management processes and sophisticated control systems. We work to limit the impact of negative developments that may arise by carefully managing risk concentrations.

Risk governance

Effective risk management begins with effective risk governance. Our risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role and defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of the Group, including primary responsibility for compliance with relevant legal and regulatory requirements and internal controls.

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

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

Our operations are regulated by authorities in each of the jurisdictions in which we conduct business. Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. The >>>Swiss Financial Market Supervisory Authority FINMA (FINMA) is our primary regulator providing global supervision.

> Refer to "Regulation and supervision" in I – Information on the company for further information.

Our governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees and the Group Chief Risk Officer (CRO) in accordance with their respective authority.

> Refer to "Board of Directors" and "Board Committees" in IV – Corporate Governance and Compensation – Corporate Governance for further information.

Board of Directors

The Board is responsible for our strategic direction, supervision and control, and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits. Overall risk limits are set by the Board in consultation with its Risk Committee.

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

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

Executive Board

The Executive Board is responsible for developing and implementing our strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and establishes Group-wide risk policies. The Group CRO is a member of the Executive Board and represents the risk management function.

Executive Board committees

The Capital Allocation & Risk Management Committee (CARMC) is responsible for supervising and directing our risk profile, recommending risk limits at the Group level to the Risk Committee and the Board, establishing and allocating risk limits among the various businesses, and for developing measures, methodologies and tools to monitor and manage the risk portfolio. CARMC operates in three cycles with monthly meetings on a rotating basis. The asset & liability management cycle reviews the funding and balance sheet trends and activities, plans and monitors regulatory and business liquidity requirements and internal and regulatory capital adequacy. The market & credit risks cycle reviews risk exposures and concentrations, defines and implements risk management strategies for the Group businesses and sets and approves risk limits within approved Board limits and other appropriate measures to monitor and manage the risk portfolio within the various Group businesses. In the market & credit risk cycle, the credit portfolio & provisions review committee, a sub-committee of CARMC, reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The internal control systems cycle monitors and analyzes significant legal and compliance risks, reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets limits, caps and triggers on specific businesses to control significant operational risk exposure, and reviews and assesses the appropriateness and efficiency of the internal control systems, particularly with regards to valuation risks and the new business approval process.

The Valuation Risk Management Committee (VARMC) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process.

The Risk Processes & Standards Committee (RPSC) reviews major risk management processes, issues general instructions, standards and processes concerning risk management, approves material changes in market, credit and operational risk management standards, policies and related methodologies, and approves the standards of our internal models used for calculating regulatory capital requirements.

The Reputational Risk & Sustainability Committee (RRSC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures compliance with our reputational and sustainability policies and oversees their implementation.

Divisional and legal entity risk management committees

Divisional and legal entity risk management committees review risk, legal, compliance and internal control matters specific to the divisions and individual legal entities, respectively.

Risk organization

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage risk matters.

Our risk organization has been further restructured to support our new strategic direction and enhance the interconnection of legal entity risk oversight responsibilities and global risk functions. We will continue to review our risk management priorities so that they remain aligned to the Group's new business priorities.

We have strengthened the legal entity chief risk officers organization taking into account local regulatory requirements and ascertaining that our legal entity oversight approach is accepted by key regulators. In addition, while maintaining the matrix structure from a people and business management perspective, the restructuring is expected to improve the Group's cost transparency along our legal entities and divisions. The global risk functions continue to drive our risk appetite, ensure globally harmonized models and methodologies, execute global regulatory deliverables, provide global limit frameworks and ensure risk conflict remediation.

The key elements of the risk organization include:

Matrix structure

Our matrix structure reflects the Group's business strategy and emphasizes the Group's legal entity considerations. The global functions comprise market & liquidity, credit, operational and fiduciary risk management, and they are accountable for functional risk oversight and the limit framework at global and local legal entity level. They are also responsible for functional models, methodologies and policies and function-related regulatory change.

The legal entity chief risk officers provide risk oversight for certain significant legal entities in the locations of our main operations. They define the local risk management and risk appetite frameworks and are responsible for meeting the legal-entity-specific regulatory requirements.

The divisional chief risk officer roles for Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolutions Unit are intended to ensure alignment of the risk management function within our divisions and are undertaken by legal entity chief risk officers and heads of global functions.

The global functions and the legal entity chief risk officers jointly manage the functional teams.

Enterprise Risk Management

The Enterprise Risk Management central function, with its head directly reporting to the Group CRO, strengthens holistic risk coverage. By consolidating our cross-functional and cross-business risk initiatives in Enterprise Risk Management, we enhance effectiveness and harmonize our overarching risk framework and concepts. The Enterprise Risk Management mandate is focused on the overarching risk framework including risk appetite and stress testing, Group risk reporting, model risk management, risk-related regulatory management and coordination of our reputational risk-related activities.

Other central functions

Risk & Finance Data Analytics and Reporting provides consistent reporting production, analytics and data management shared with finance functions. CRO Change is responsible for the portfolio of strategic change programs across the risk management function. The CRO's chief operating officer facilitates business management within the risk management function.

Risk culture

We base our business operations on conscious and disciplined risk-taking. We believe that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. Our risk culture is supported by the following principles:

– Our risk management policies set out authorities and responsibilities for taking and managing risks;
– We establish a clear risk appetite that sets out the types and levels of risk we are prepared to take;
– We actively monitor risks and take mitigating actions where they fall outside accepted levels;
– Breaches of risk limits are identified, analyzed and escalated, and large, repeated or unauthorized exceptions may lead to terminations, adverse adjustments to compensation or other disciplinary action; and
– We seek to establish resilient risk controls that promote multiple perspectives on risk and reduce the reliance on single risk measures.

We actively promote a strong risk culture where employees are encouraged to take accountability for identifying and escalating risks and for challenging inappropriate actions. The businesses are held accountable for managing all of the risks they generate, including those relating to employee behavior and conduct, in line with our risk appetite. Expectations on risk culture are regularly communicated by senior management, reinforced through policies and training, and considered in the performance assessment and compensation processes and, with respect to employee conduct, assessed by formal disciplinary review committees. We have established across the Group a set of business conduct behaviors that support our desired risk culture. They are designed to encourage employees to act in ways that reduce the frequency and impact of operational risk incidents, address the root causes of past operational risk incidents in the financial services sector and other relevant industries, and touch on our ability to learn from past events. Recent initiatives in this area have provided employees with practical guidance on careful and considered behavior as well as acting ethically and learning from mistakes.

> Refer to "Conduct risk" in Risk coverage and management for further information.

Risk appetite Framework

Overview

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

Risk capacity is the maximum level of risk that we can assume given our current level of resources before breaching any constraints determined by capital and liquidity needs, the operational environment and our responsibilities to depositors, policyholders, shareholders, investors and other stakeholders. Risk appetite expresses the aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan. Risk profile is a point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category and is expressed in a variety of different quantitative risk metrics and qualitative risk observations. The size of our risk profile is restricted to the planned level of our risk appetite through the use of risk controls, such as limits, guidelines, tolerances and targets.

Risk appetite framework

The Group risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk controls are calibrated and the risk profile is managed. The framework was updated in 2015 and is guided by the following strategic risk objectives:

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

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

The risk appetite statement is the formal plan, approved by the Board, for our Group-wide risk appetite. Key divisional allocations are cascaded from the Group and approved in divisional risk management committees. Legal entity risk appetites are allocated from the Group and are approved by the local legal entity board of directors.

The top-down and bottom-up risk appetite calibration process includes the following key steps:

Top-down:

– Group-level strategic risk objectives are agreed by the Board in line with our financial and capital objectives.
– Top-down risk capacities and risk appetites are determined with reference to available resources and key thresholds, such as minimum regulatory requirements.

– A risk appetite statement is determined and approved annually by the Board, and is based on the strategic risk objectives, the comprehensive scenario stress testing of our forecasted financial results and capital requirements, and our economic capital framework. A semi-annual review of the risk appetite and capacity levels is performed. The risk appetite statement comprises quantitative and qualitative risk measures necessary for adequate control of the risk appetite across the organization. The review of the top-down and bottom-up risk appetite levels and their allocation between divisions and legal entities is performed in the risk appetite review committee, a sub-committee of the CARMC market & credit risks cycle.

– Separate legal entity risk appetite frameworks aligned to local regulatory requirements are in place for material subsidiaries. An integrated year-end planning process ensures that individual legal entity risk appetites are consistent with Group levels.

– Divisional risk committees are responsible for allocating risk appetite within their area based on individual business line reviews and requirements.

Bottom-up:

– Planned risk levels and their risk appetite requirements are provided by the front office business experts in conjunction with financial and capital plans in order to ensure they are consistent with the business strategy. Risk plans are reviewed by the relevant risk management committees.

– Bottom-up risk forecasts are aggregated across businesses to assess divisional and Group-wide risk plans and to support management decisions on variations to existing risk appetite levels or the possible need for new risk appetite measures.

– The effectiveness of risk appetite in support of business strategy execution and delivery against financial objectives is assessed via a risk appetite effectiveness framework. This framework assists senior management and the Board in ensuring that appropriate levels of risk appetite are set and that the subsequent risk controls are appropriately calibrated.

– Risk, financial and capital plans are jointly reviewed and approved by the Executive Board and the Board.

The following chart provides an overview of key Group-wide quantitative and qualitative aspects covered in our risk appetite statement for the Group and their connection to the division-specific risk appetite statements.

Risk controls

A core aspect of our risk appetite framework is a sound system of integrated risk controls to maintain our risk profile within our overall risk appetite. Controls are classified according to type and authority, with the principal control types comprising limits, guidelines and tolerances. The risk controls restrict our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses. Limits are binding thresholds that require discussion to avoid a breach and trigger immediate remediating action if a breach occurs. Guidelines are thresholds which, if breached, require an action plan to reduce risk below the guideline or to propose, justify and agree to adjust the guideline. Tolerances are designed as management thresholds to initiate discussion, and breach of a tolerance level triggers review by the relevant control authority. Authority is determined by the approving body and controls are currently in effect from all key risk governance bodies and committees including the Board, its Risk Committee and the Executive Board through CARMC.

We have established a control structure which manages the Group's risk profile using multiple metrics, including economic risk capital, >>>value-at-risk (VaR), scenario analysis and various exposure limits at Group level. The overall risk limits for the Group are set by the Board in consultation with its Risk Committee and are binding. In the rare circumstances where a breach of these limits would occur, it would result in an immediate notification to the Chairman of the Board's Risk Committee and the Group CEO, and written notification to the full Board at its next meeting. Following notification, the Group CRO may approve positions that exceed the Board limits up to a predefined level and any such approval is reported to the full Board. Positions that exceed the Board limits by more than the predefined level may only be approved by the Group CRO and the full Board acting jointly. In 2015 and 2014, no Board limits were exceeded.

Dedicated controls are also in place to cover the specific risk profiles of individual businesses and legal entities. In the context of the overall risk appetite of the Group, as defined by the limits set by the Board and its Risk Committee, CARMC is responsible for allocating divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. The divisional risk management committees and the divisional and legal entity chief risk officers are responsible for allocating risk appetite further into the organization. For this purpose, they use a detailed framework of individual risk limits designed to control risk-taking at a granular level by individual businesses and in the aggregate. The risk controls are intended to:

– limit overall risk-taking to the Group's risk appetite;
– trigger senior management discussions with the businesses involved, risk management and governance committees in case of substantial change in the overall risk profile;
– ensure consistent risk measurement across businesses;
– provide a common framework for the allocation of resources to businesses; and
– provide a basis for protecting the Group's capital base and meet strategic risk objectives.

The limit framework encompasses specific limits on a large number of different products and risk type concentrations. For example, there are controls over consolidated trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed capital. Risk limits allocated to lower organizational levels within the businesses also include a system of individual counterparty credit limits. CARMC limits are binding and generally set close to the planned risk profile to ensure that any meaningful increase in risk exposures is promptly escalated. The divisional chief risk officers and certain other members of senior management have the authority to temporarily increase the divisional risk committee limits by an approved percentage for a period not to exceed 90 days. A divisional risk committee limit excess is subject to a formal escalation procedure and the incremental risk associated with the excess must be approved by the responsible senior management. The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer are monitored on a weekly basis. A smaller subset of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis. In 2015, we strengthened the controls for market risk limit excesses by mandating that the front office remediate limit excesses within three days upon notification and by establishing an out-of-policy remediation process with senior management escalation for exceptions where limit excesses cannot be remediated within this time frame. Over the course of 2015, all limit excesses were resolved within the approved period.

While the primary purpose is risk management, risk limits are also useful tools in the identification of trading misconduct and unauthorized trading activities. The limit owners are responsible for reviewing warning triggers for risk limits. They may set warning triggers for potential limit excesses at any level lower than the approved limits as deemed appropriate after taking into account the nature of the underlying business. Strict escalation procedures apply to any limit breaches and depending on the severity of the excess, the Group CRO or divisional chief executive officer's approval may be required. Serious excesses are highlighted in periodic Risk Committee meeting management summaries. An assessment by the disciplinary review committee and any disciplinary actions that may be taken are considered in the regular performance assessment and compensation processes.

Risk Coverage and Management

Overview

We use a wide range of risk management practices to address the variety of risks that arise from our business activities. Policies, limits, guidelines, processes, standards, risk assessment and measurement methodologies, and risk monitoring and reporting are key components of our risk management practices. Our risk management practices complement each other in our analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of our exposures. We regularly review and update our risk management practices to ensure consistency with our business activities and relevance to our business and financial strategies. Risk management practices have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

The key risk types, their definitions and key risk evaluation methods are summarized in the following table.

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

The primary evaluation methods used to assess Group-wide quantifiable risks include economic risk capital and stress testing. Economic risk capital captures market, credit, operational and certain other risks and is a key component in our risk appetite framework with limits determined to control aggregate risk. Stress testing captures market, credit and operational risks and provides an evaluation method capable of capturing both historic and forward-looking scenarios to ensure that aggregate risks are managed within the Group-wide risk appetite also under stressed conditions.

The description of our economic risk capital methodology and our stress testing framework below is followed by a more detailed description of our key risk types.

> Refer to “Liquidity and funding management” for further information on liquidity and funding risks-related evaluation methods used in our liquidity risk management framework and for funding management.

Economic risk capital

Overview

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

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

> Refer to "Capital strategy and framework" and "Regulatory capital framework" in Capital management for further information on our capital management framework.

During 2015, as part of our economic risk capital strategic development program to further embed economic risk capital into our risk appetite framework, we introduced a "gone concern" coverage ratio to assess the capital adequacy of our financial plans. Upon completion of the program, we plan to use the economic risk capital coverage ratio in our assessment process under two scenarios: (i) a "going concern" basis, which means that we hold sufficient capital to absorb losses while remaining in business, and (ii) a "gone concern" basis, which means that we hold sufficient capital to fund an orderly resolution.

The gone concern coverage ratio introduced in 2015 strengthened our risk capital assessment process by further integrating it into our risk appetite and risk management frameworks. In order to implement this, we (i) aligned the definition of loss absorbing available economic capital with the gone concern concept, (ii) recalibrated the gone concern economic risk capital coverage ratio bands to require monitoring and potential action according to certain thresholds (refer to chart "Economic risk capital coverage ratio bands") and (iii) introduced strategic buffers to reflect an estimate of the impact of planned model changes. We updated our economic risk capital model definitions to reflect the changes implemented in 2015, and restated the available economic capital and the economic risk capital coverage ratio for prior periods to show meaningful trends. We further plan to incorporate the going concern economic risk capital coverage ratio into our assessment process and expand its use across our legal entities.

> Refer to "Methodology and model developments" in Risk review and results – Economic risk capital review for further information.

Methodology and scope

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks. Within each of these risk categories, risks are further divided into subcategories, for which economic risk capital is calculated using the appropriate specific methodology. Some of these methodologies are common to a number of risk subcategories, while others are tailored to the particular features of single, specific risk types included in position risk, operational risk and other risks. Economic risk capital is calculated as the sum of position risk, operational risk and other risks.

Position risk and diversification benefit

Position risk is the level of unexpected loss from our portfolio of balance sheet and off-balance sheet positions over a one-year holding period and includes market and credit risks. Position risk is calculated at a 99% confidence level for risk management purposes and converted to a 99.97% confidence level for capital management purposes. Our position risks categories are described in the table "Position risk categories".

To determine our overall position risk, we consider the diversification benefit across risk types. Diversification benefit represents the reduction in risk that occurs when combining different, not perfectly correlated risk types in the same portfolio and is measured as the difference between the sum of position risk for the individual risk types and the position risk calculated for the combined portfolio. Hence, position risk for the combined portfolio is non-additive across risk types and is lower than the sum of position risk of its individual risk types due to risk reduction (or benefit)

caused by portfolio diversification. When analyzing position risk for risk management purposes, we look at individual risk types before and after diversification benefit.

Operational risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people and systems or from external events. We use an internal model to calculate the economic capital requirement for operational risk at a 99.97% confidence level and a one-year holding period. A loss distribution approach based on historical data on internal and relevant external losses of peers is used to generate a loss distribution for a range of potential operational risk loss scenarios, such as unauthorized trading incidents, business interruption, fraud or other material business disruptions. The parameters estimated through the quantitative model are reviewed by business experts and senior management in order to take account of the business environment and internal control factors and to reflect a forward-looking view in the estimate. The capital calculation also includes a component to reflect litigation events and insurance mitigation. The overall approach is based on the same principles and methodology of the >>>AMA model used for regulatory capital requirements.

Position risk categories

Position risk categories	Risks captured
Fixed income trading	– Foreign exchange rates and volatilities – Interest rate levels and volatilities – Commodity prices and volatilities – Credit spreads and the risk of corporate bond defaults – Life finance and litigation business activities
Equity trading & investments	– Equity prices and volatilities – Non-recourse share-backed financing transactions – Liquid hedge funds exposures and fund-linked products – Equity risk arbitrage activities, in particular the risk that an announced merger may not be completed – Private equity, illiquid hedge funds and other illiquid equity investment exposures
Private banking corporate & retail lending	– Potential changes in the creditworthiness of counterparty exposures, mainly in the Swiss Universal Bank and International Wealth Management divisions and to a lesser extent in the Asia Pacific division and the Strategic Resolution Unit, and the risk of counterparty defaults
International lending & counterparty exposures	– Potential changes in the creditworthiness of counterparty exposures, mainly in the Investment Banking & Capital Markets division and to a lesser extent in the Global Markets division and the Strategic Resolution Unit, and the risk of counterparty defaults
Emerging markets country event risk	– Country events in emerging markets
Real estate & structured assets	– Commercial real estate activities and structured assets – Residential real estate activities and positions in asset-backed securities

Other risks

The other risks category includes the following:

– Our expense risk measures the potential difference between expenses and revenues in a severe market event, excluding the elements captured by position risk and operational risk, using conservative assumptions regarding the earnings capacity and the ability to reduce the cost base in a crisis situation.

– Pension risk is the risk that we, as a plan sponsor, are required to fund a deficit in employee pension schemes in an extreme event. It covers fluctuations in our pension plan assets and liabilities which can lead to potential funding shortfalls. Funding shortfalls can arise from a decline in asset values and/or an increase in the present value of liabilities. The shortfall would need to be funded using available resources. In order to recognize the potential for a funding shortfall, we apply an economic risk capital charge.

– Owned real estate risk is defined as the capital at risk which arises from fluctuations in the value of buildings owned by the Group.

– Foreign exchange risk is the risk arising from a currency mismatch between available economic capital and economic risk capital required.

– Corporate interest rate risk is the interest rate risk on our treasury positions.

– The impact from deferred share-based compensation awards captures the economic benefit that may result from covering our structural short obligations to deliver own shares through market purchases during times of falling market prices.

– Model uncertainty add-on addresses other potential low-probability events with potential high impact for which limited market data exists. It also reflects an estimate of the impacts of certain planned methodology changes.

Available economic capital

Available economic capital is an internal view of the capital available to absorb losses based on the reported BIS look-through CET1 capital under >>>Basel III, with economic adjustments applied to provide consistency with our economic risk capital. It enables a comparison between capital needs (economic risk capital) and capital resources (available economic capital).

Economic risk capital coverage ratio

Economic risk capital coverage ratio is defined as the ratio of capital available to absorb losses in a gone concern scenario (available economic capital) to capital needs (economic risk capital). The economic risk capital coverage ratio is primarily meant to provide an assessment of our solvency and reflects our best internal assessment of risk and loss absorbing capacity in an extreme scenario. Furthermore, the economic risk capital coverage ratio is embedded in our risk appetite framework through our capital adequacy objective.

The economic risk capital coverage ratio operates with a number of distinct bands that serve as key control for monitoring and managing our operational solvency. An economic risk capital coverage ratio lower than 125% requires senior management review, followed by an action plan at a coverage ratio lower than 110%. Immediate actions such as risk reductions or capital measures would be

triggered at a coverage ratio lower than 100%. The Board has set the minimum level for this coverage ratio at 80%.
Governance
Our economic risk capital framework is governed and maintained by a dedicated steering committee, which regularly reviews, assesses and updates the economic risk capital methodology in light of market and regulatory developments, risk management practice and organizational changes. In addition, the steering committee approves new methodologies and prioritizes the implementation for its three components (position risk, operational risk and other risks).
Stress testing framework
Overview
Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to our portfolio if, for example, historic or adverse forward-looking events were to occur. A well-developed stress testing framework provides a powerful tool for senior management to identify these risks and also take corrective actions to protect the earnings and capital from undesired impacts.
Stress testing is a fundamental element of our Group-wide risk appetite framework included in overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and to support our internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Group-wide stressed position loss limits to correspond to minimum post-stress capital ratios. Currently, limits are set on the basis of BIS CET1 capital ratios on a phase-in and look-through basis. Stress tests also form an integral part of the Group’s recovery and resolution plan (RRP). Within the RRP, stress tests provide the indicative scenario severity required to reach recovery and resolution capital levels.
Stress testing provides key inputs for managing the following objectives of the risk appetite framework:
– Ensuring Group-wide capital adequacy on both a regulatory basis and under stressed conditions: We run a suite of scenarios on forecasted financial metrics such as revenues, expenses, pre-tax income and >>>risk-weighted assets. The post-stress capital ratios are assessed against the risk appetite of the Group.
– Maintaining stable earnings: We mainly use stress testing to quantitatively assess earnings stability risk. Earnings-loss-triggers are established and monitored to contain excessive risk-taking which could compromise our earnings stability.
We also conduct externally defined stress tests that meet the specific requirements of regulators. For example, as part of various regular stress tests and analysis, >>>FINMA requires a semi-annual loss potential analysis that includes an extreme scenario that sees European countries experience a severe recession resulting from the worsening of the European debt crisis.
Methodology and scope of Group-wide stress testing
Stress tests are carried out to determine stressed position losses, earnings volatility and stressed capital ratios using historical, forward-looking and reverse stress testing scenarios. The scope of stress testing includes market, credit default, operational, business and pension risk. Stress tests also include the scenario impact on risk-weighted assets through changes to market, credit and operational components.
We use historical stress testing scenarios to consider the impact of market shocks from relevant periods of extreme market disturbance. Standardized severity levels allow comparability of severity across differing risk types. The calibration of bad day, bad week, severe event and extreme event scenarios involves the identification of the worst moves that have occurred in recent history. Severe flight to quality is our main scenario used for Group-wide stress testing and risk appetite setting. It is a combination of market shocks and defaults that reflects conditions similar to what followed the Lehman collapse during the fourth quarter of 2008. The severe flight to quality scenario assumes a severe market crash in equity and commodity markets, along with a widening of credit spreads and stressed default rates.
We use forward-looking stress testing scenarios to complement historical scenarios. The forward-looking scenarios are centered on potential macroeconomic, geopolitical or policy threats. A risk council comprised of internal economists, front office and representatives of the risk management function discusses the backdrop to several forward-looking scenarios. The risk council reviews a wide range of scenarios and selects those that are most relevant to the analysis of key macroeconomic shocks. Some examples of forward-looking scenarios include US and European country recessions, Middle East conflict and the impact of monetary policy changes by central banks. Various

scenarios are also used to mitigate concentration risks across the entire firm, such as the credit concentration scenario.
During 2015, the Group focused on the following forward-looking scenarios:

– Ending of credit cycle: there is a tightening in credit markets originating in the US following abrupt interest rate increases, and the US economy slides into a deep and prolonged recession with a substantial increase in default rates that then spreads globally.

– Greece exit scenarios: two scenarios reflected with differing degrees of severity resulting from an exit from the eurozone by Greece. In the first scenario, the exit by Greece is disorderly resulting from strict disciplinary actions by the authorities within the EU, leading markets to consider the eurozone as a conditionally (rather than irrevocably) fixed exchange rate regime, with credit spreads for selected eurozone countries permanently widening. By contrast, a second scenario of a managed exit of Greece results in efforts to bolster risk sharing and deepen integration among the remaining eurozone countries, leading to narrower credit spreads and lower risk premiums over the medium term after an initial spike.

– Emerging markets hard landing scenario: a slowdown in a major Asian economy, driven by defaults in the non-regulated

part of its finance industry, exacerbates falling investor confidence. Massive capital flight from emerging markets causes overall emerging markets gross domestic product growth to decline significantly, impacting growth in the eurozone and US economies.

The scenarios are reviewed and updated regularly as markets and business strategies evolve.

We use reverse stress testing scenarios to complement traditional stress testing and enhance our understanding of business model vulnerabilities. Reverse stress testing scenarios define a range of severe adverse outcomes and identify what could lead to these outcomes. The more severe scenarios include large counterparty failures, sudden shifts in market conditions, operational risk events, credit rating downgrades and the shutdown of wholesale funding markets.

Governance

Our stress testing framework is comprehensive and governed by a dedicated steering committee. The scenario steering committee reviews the scenario methodology and approves changes to the scenario framework. Stress tests are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management, the business divisions and regulators.

Market risk

Definition

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

Sources of market risk

Market risks arise from both our trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing our market risk exposure. This classification reflects the business and risk management perspective and may be different from the classification of these assets for financial reporting purposes.

Trading book

Market risks from our trading book relate to our trading activities primarily in Global Markets. Our trading book, as determined for risk management purposes, typically includes fair-valued positions only, primarily of the following balance sheet items: trading assets and trading liabilities, investment securities, other investments, other assets (mainly derivatives used for hedging, loans and real estate held-for-sale), short-term borrowings, long-term debt and other liabilities (mainly derivatives used for hedging).

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products. Some of the structured products are customized transactions using combinations of derivatives and are executed to meet specific client or proprietary needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

The market risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading book and are reflected in our >>>VaR measures.

Banking book

Market risks from our banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. Our businesses and the treasury function have non-trading portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates, equity prices and, to a lesser extent, commodity prices. Our banking book, as determined for risk management purposes, includes a majority of the following balance sheet items: loans, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, cash and due from banks, brokerage receivables, due to banks, customer deposits, central bank funds purchased, securities sold under >>>repurchase agreements and securities lending transactions, brokerage payables, selected positions of short-term borrowings and long-term debt, and other assets and liabilities not included in the trading portfolio.

We assume interest rate risks in our banking book through lending and deposit taking, money market and funding activities, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions. Savings accounts and many other retail banking

products have no contractual maturity date or direct market-linked interest rate and are risk-managed on a pooled basis using replication portfolios on behalf of our private banking, corporate and institutional businesses. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis. The treasury function is responsible for the modeling and monitoring of the replication portfolios.

Evaluation and management of market risk

We use market risk measurement and management methods capable of calculating comparable exposures across our many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and

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external disclosure purposes. Our principal market risk measurement is VaR. In addition, our market risk exposures are reflected in scenario analysis, as included in our stress testing framework, position risk, as included in our economic risk capital, and sensitivity analysis. Each evaluation method aims to estimate the potential loss that we can incur due to an adverse market movement over a defined holding period with a specified confidence level. VaR, scenario analysis, position risk and sensitivity analysis complement each other in our market risk assessment and are used to measure market risk at the Group level. Our risk management practices are regularly reviewed to ensure they remain appropriate.

For the purpose of this disclosure, market risk in the trading book is measured using VaR and market risk in our banking book is measured using sensitivity analysis on related market factors.

Value-at-Risk

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period that is expected to occur at a certain confidence level. VaR can be applied for all financial instruments with sufficient price histories. Positions are aggregated by risk category rather than by product. For example, interest rate risk VaR includes the risk of fluctuations in interest rates arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations between different assets, applying the concept of portfolio diversification benefit described above for position risk. Our VaR model is designed to take into account a comprehensive set of risk factors across all asset classes.

VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory >>>backtesting.

Our VaR model is predominantly based on historical simulation which derives plausible future trading losses from the analysis of historic market prices. The model is responsive to changes in volatility through the use of exponential weighting, which applies a greater weight to more recent events, and the use of expected shortfall equivalent measures to ensure all significant events are included in the model. We use the same VaR model for risk management (including limit monitoring and financial reporting), regulatory capital calculation and regulatory backtesting purposes, except for the confidence level and holding period used and the scope of financial instruments considered.

For our >>>risk management VaR, we use a two-year historical dataset, a one-day holding period and a 98% confidence level. This means that we would expect daily mark-to-market trading losses to exceed the reported VaR not more than twice in 100 trading days over a multi-year observation period. This measure captures risks in trading books only and includes securitization positions. It is more closely aligned to the way we consider the risks associated with our trading activities. Our VaR used for limit monitoring purposes also uses a two-year historical dataset, a one-day holding period and a 98% confidence level. This measure includes positions from both the trading book and the banking book and also includes securitization positions.

For regulatory capital purposes, we operate under the >>>Basel III market risk framework which includes the following components for the calculation of regulatory capital: >>>regulatory VaR, regulatory VaR for backtesting purposes, >>>stressed VaR, >>>IRC and the impact of changes in a counterparty's credit spreads (also known as >>>CVA). The regulatory VaR for capital purposes uses a two-year historical dataset, a ten-day holding period and a 99% confidence level. This measure captures risks in the trading book only and excludes securitization positions as these are treated under the securitization approach for regulatory purposes. The regulatory VaR for backtesting purposes uses a two-year historical dataset, a one-day holding period and a 99% confidence level. This measure captures risks in the trading book and includes securitization positions. Stressed VaR replicates the regulatory VaR calculation on the Group's current portfolio over a continuous one-year observation period that results in the highest VaR. The continuous one-year observation period on a historical dataset starting in 2006 avoids the smoothing effect of the two-year dataset used for our risk management and regulatory VaR, allows for a longer history of potential loss events and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. IRC is a regulatory capital charge for default and migration risk on positions in the trading books and intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR.

Assumptions used in our market risk measurement methods for regulatory capital purposes are compliant with the standards published by the BCBS and other related international standards for market risk management. We have

approval from >>>FINMA, as well as from certain other regulators of our subsidiaries, to use our regulatory VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.
Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.
> Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.
VaR limitations
The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio based on the behavior of historical market conditions. The main assumptions and limitations of VaR as a risk measure are:
– VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future

outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities;
– Although VaR captures the relationships between risk factors, these relationships may be affected by stressed market conditions;
– VaR provides an estimate of losses at a specified confidence level, which means that it does not provide any information on the size of losses that could occur beyond that confidence level;
– VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence; and
– VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.
To mitigate some of the VaR limitations and estimate losses associated with unusually severe market movements, we use other metrics designed for risk management purposes and described above, including stressed VaR, position risk and scenario analysis.
For some risk types there can be insufficient historical data for a calculation within the Group's VaR model. This often happens because underlying instruments may have traded only for a limited time. Where we do not have sufficient market data, either market data proxies or extreme parameter moves for these risk types are used. Market data proxies are selected to be as close to the underlying instrument as possible. Where neither a suitable market dataset nor a close proxy is available, extreme parameter moves are used which are aggregated assuming a zero correlation.
Risks that are not currently implemented within the Group's VaR model such as certain basis risks, higher order risks and cross risks between asset classes are captured through >>>risk not in VaR (RNIV) calculations. RNIV is also used if accurate sensitivity analysis cannot be performed for the respective risks.
We use a risk factor identification process to ensure that risks are identified and measured correctly. There are two parts to this process. First, the market data dependency approach systematically determines the risk requirements based on data inputs used by front-office pricing models and compares this with the risk types that are captured by the Group's VaR model and the RNIV framework. Second, the product-based approach is a qualitative analysis of product types to identify the risk types that those product types would be exposed to. A comparison is again made with the risk types that are captured in the VaR and RNIV frameworks. Through this process, risks that are not yet captured in the VaR model or the RNIV framework are identified. A plan for including these risks in one or the other framework can then be devised. RNIV is captured in our economic risk capital framework.
VaR backtesting
Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory purposes. Backtesting is used to assess the accuracy of the regulatory VaR model. The purpose of the VaR backtesting process is to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model. Backtesting involves comparing the results produced by the VaR model with the actual daily trading revenue. Actual daily trading revenues for the purpose of this backtesting are defined as gains and losses arising from our trading activities, including mark-to-market gains and losses, the net cost of funding, and fees and commissions. Actual daily trading revenues do not include gains and losses resulting from valuation adjustments associated with counterparty and own credit exposures. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. Statistically, at the overall Group level, given the 99% confidence level and the one-day holding period used in the regulatory VaR model for backtesting purposes, we would expect daily trading losses to exceed the calculated daily VaR not more than once in 100 trading days over a multi-year observation period.
For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues. The subset of actual daily trading revenues is defined on a consistent basis as the gains and losses for the regulatory VaR model but excludes non-market elements such as fees, commissions, non-market-related provisions, gains and losses from intra-day trading, cancellations and terminations.
VaR governance
Like other sophisticated models, our VaR model is subject to internal governance including validation by a team of modeling experts independent from the model developers. Validation includes identifying and testing the model's assumptions and limitations, investigating its performance through historical and potential future stress events, and

testing that the live implementation of the model behaves as intended. We employ a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, a dedicated VaR governance steering committee meets regularly to review model performance and approve any new or amended models.

Sensitivity analysis

Market risks associated with our banking book positions are measured, monitored and limited using several tools, including economic risk capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our banking book positions are measured using sensitivity analysis. Sensitivity analysis is a technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. The sensitivity analysis for the banking book positions measures the potential change in economic value resulting

from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the banking book positions generally are not marked to market through earnings.

Credit and debit valuation adjustments

>>>Credit valuation adjustments are modifications to the measurement of derivative assets used to reflect the credit risk of counterparties. >>>Debit valuation adjustments are modifications to the measurement of derivative liabilities used to reflect an entity's own credit risk. VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products.

Credit risk

Definition

Credit risk is the risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a counterparty default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets measured at >>>fair value, with valuation changes recorded in the consolidated statements of operations.

Sources of credit risk

The majority of our credit risk is concentrated in our private banking, corporate and institutional as well as investment banking businesses. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from >>>derivatives, foreign exchange and other transactions.

Evaluation and management of credit risk

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

Our credit risk management framework covers virtually all of the Group's credit exposure and includes the following core components:

– individual counterparty rating systems;
– transaction rating systems;
– a counterparty credit limit system;
– country concentration limits;
– industry concentration limits;
– product limits;
– risk-based pricing methodologies;
– active credit portfolio management; and
– a credit risk provisioning methodology.

Counterparty and transaction rating systems

We employ a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or >>>OTC derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Our internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. For the calculation of internal risk estimates (e.g., an estimate of expected loss in the event of a counterparty default) and risk-weighted assets, a >>>probability of default (PD), >>>loss given default (LGD) and >>>exposure at default (EAD) are assigned to each facility. These three parameters are primarily derived from internally developed statistical models that have been backtested against internal experience, validated by a function independent of the model owners on a regular basis and approved by our main regulators for application in the regulatory capital calculation in the >>>A-IRB approach under the Basel framework.

For corporates managed on the Swiss platform, consumer loans, and since 2015 the majority of all other corporate and institutional counterparties, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative (primarily balance sheet information for corporates and loan-to-value (LTV) ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus). For models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes.

For the remaining corporate and institutional facilities not yet using a statistical rating model, a PD is determined through an internal rating assigned on the basis of a structured expert approach. Internal credit ratings are based on an analysis and evaluation of both quantitative and qualitative factors concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, industry comparisons, external ratings and research as well as the judgment of credit experts for the purpose of their analysis. The PD for each internal rating is calibrated to historical default experience using internal data and external data from Standard & Poor's.

LGD represents the expected loss on a transaction should a default occur, and our LGD models consider the structure, collateral, seniority of the claim, counterparty industry, recovery costs and downturn conditions.

EAD represents the expected exposure in the event of a default. Off-balance sheet exposures are converted into expected

EADs through the application of a credit conversion factor which is modeled using internal data.
We use internal rating methodologies consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic risk capital measurement and allocation and financial accounting. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates.
Our internal rating grades are mapped to the Group's internal masterscale. The PDs assigned to each rating grade are reflected in the following table.

Credit Suisse counterparty ratings

Ratings	PD bands (%)	Definition	S&P	Fitch	Moody's	Details
AAA	0.000–0.021	Substantially risk free	AAA	AAA	Aaa	Extremely low risk, very high long-term stability, still solvent under extreme conditions
AA+	0.021–0.027	Minimal risk	AA+	AA+	Aa1	Very low risk, long-term stability, repayment
AA	0.027–0.034		AA	AA	Aa2	sources sufficient under lasting adverse conditions, extremely high medium-term stability
AA-	0.034–0.044		AA-	AA-	Aa3	
A+	0.044–0.056	Modest risk	A+	A+	A1	Low risk, short- and medium-term stability, small adverse
A	0.056–0.068		A	A	A2	developments can be absorbed long term, short- and
A-	0.068–0.097		A-	A-	A3	medium-term solvency preserved in the event of serious difficulties
BBB+	0.097–0.167	Average risk	BBB+	BBB+	Baa1	Medium to low risk, high short-term stability, adequate
BBB	0.167–0.285		BBB	BBB	Baa2	substance for medium-term survival, very stable short
BBB-	0.285–0.487		BBB-	BBB-	Baa3	term
BB+	0.487–0.839	Acceptable risk	BB+	BB+	Ba1	Medium risk, only short-term stability, only capable of
BB	0.839–1.442		BB	BB	Ba2	absorbing minor adverse developments in the medium term,
BB-	1.442–2.478		BB-	BB-	Ba3	stable in the short term, no increased credit risks expected within the year
B+	2.478–4.259	High risk	B+	B+	B1	Increasing risk, limited capability to absorb further unexpected negative developments
B	4.259–7.311		B	B	B2	
B-	7.311–12.550		B-	B-	B3	
CCC+	12.550–21.543	Very high risk	CCC+	CCC+	Caa1	High risk, very limited capability to absorb further unexpected negative developments
CCC	21.543–100.00		CCC	CCC	Caa2	
CCC-	21.543–100.00		CCC-	CCC-	Caa3	
CC	21.543–100.00		CC	CC	Ca	
C	100	Imminent or actual loss	C	C	C	Substantial credit risk has materialized, i.e., counterparty
D1	Risk of default has materialized		D	D		is distressed and/or non-performing. Adequate specific
D2						provisions must be made as further adverse developments will result directly in credit losses.

Transactions rated C are potential problem loans; those rated D1 are non-performing assets and those rated D2 are non-interest earning.

Credit risk and country concentration limits overview

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

Active credit portfolio management

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance. Impaired transactions are further classified as potential problem exposure, non-performing exposure, non-interest-earning exposure or restructured exposure, and the exposures are generally managed within credit recovery units. The credit portfolio & provisions review committee regularly determines the adequacy of allowances.

Credit risk provisioning methodology

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

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated

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

Risk mitigation

We actively manage our credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

Collateral valuation and management

The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with our counterparties and an internally independent collateral management function.

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

For the mortgage lending portfolios in our private banking, corporate and institutional businesses, real estate property is valued at the time of credit approval and periodically thereafter, according to our internal policies and controls, depending on the type of loan (e.g., residential or commercial loan) and LTV ratio.

Primary types of collateral

The primary types of collateral typically depend on the type of credit transaction.

Collateral securing foreign exchange transactions and OTC trading activities primarily includes cash and US treasury instruments, >>>G10 government securities and corporate bonds.

Collateral securing loan transactions primarily includes financial collateral pledged against loans collateralized by securities of clients in our private banking, corporate and institutional businesses (primarily cash and marketable securities), real estate property for mortgages, mainly residential, but also multi-family buildings, offices and commercial properties, and other types of lending collateral such as accounts receivable, inventory, plant and equipment.

Credit risk governance

Credit risk is managed and controlled by Group credit risk management, an independent function within the risk management area and governed by a framework of policies and procedures. Key processes are reviewed through supervisory checks on a regular basis by management, including the functional area head.

In 2015, we strengthened the Credit Risk Review (CCR) function and established a direct reporting line to the Board's Risk Committee. CCR is a control function independent from credit risk management and provides regular assessments of the Group's credit exposures and credit risk management practices. CCR is responsible for performing cycled and continuous credit monitoring activities, including (i) identifying credit exposures with potential weaknesses, (ii) assessing the accuracy and consistency of Group counterparty and transaction ratings, (iii) assessing compliance with internal and regulatory requirements for credit risk management, (iv) ensuring compliance with regulatory and supervisory statements where CRR is designated as a control function, and (v) reporting trends and material review recommendations to the Risk Committee and senior management.

Operational risk

Definition

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.

Sources of operational risk

Operational risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorized trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

Evaluation and management of operational risk

Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. We believe that effective management of operational risk requires a common Group-wide operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. We started to introduce our current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past three years, we have redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. The following diagram provides a representation of the main components of our operational risk framework.

The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks across the Group while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Group-wide minimum standards. The main components of the operational risk framework are described below:

– Governance and policies: The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines appropriate escalation processes for outcomes that are outside expected levels. We utilize a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.

– Operational risk appetite: This determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided. They define their risk appetite with the relevant risk management committees in agreement with the operational risk management function.

– Operational risk register: The register comprises a catalog of inherent operational risks arising as a consequence of our business activities. It provides a consistent approach for classifying operational risks across the Group which ensures that they are treated consistently by other operational risk framework components using the appropriate processes and tools.

– Internal control assessment: We utilize a comprehensive set of internal controls that are designed to ensure that our activities follow agreed policies and that processes operate as intended.

Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other operational risk framework components, such as in the risk and control self-assessment (RCSA) process.

– Risk and control indicators: These are metrics that are used to monitor particular operational risks and controls over time. They may be associated with thresholds that define acceptable performance and provide early warning signals about potential impending issues.

– Incident data: We systematically collect, analyze and report data on operational risk incidents to ensure that we understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. We focus on both incidents that result in economic losses and events that provide information on potential control gaps, even if no losses occurred. We also collect and utilize available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the Group.

– Risk and control self-assessments: RCSAs are comprehensive, bottom-up assessments of the key operational risks in each business and control function. They comprise a self-assessment that covers the inherent risks of each business and control function, an evaluation of the effectiveness of the controls in place to mitigate these risks and a decision to either accept or remediate any residual risks. The self-assessments are subject to quality assurance by the operational risk management function to ensure that they have been conducted appropriately. RCSAs utilize other components of the operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.

– Top operational risks and remediation plans: A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.

– Reporting: We produce a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.

– Responses framework: This provides a structured approach to responding to operational risk incidents and breaches of operational risk appetite. The incident management component includes a defined process for identifying, categorizing, investigating, escalating and remediating incidents. We conduct detailed investigations for significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative operational risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how best to remediate issues that fall outside agreed risk appetite levels.

– Scenarios and capital modelling: Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorized trading. These scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used by the Group to calculate economic and regulatory capital. These capital charges are allocated to individual businesses for performance measurement purposes and to incentivize appropriate management actions.

– Conduct and behavior: Recognizing that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behavior. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

In addition to managing and mitigating operational risks under the operational risk framework through business- and risk-related processes and organization, we also transfer the risk of potential loss from certain operational risks to third-party insurance companies, where appropriate.

We are continuously enhancing our operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in one area to check that they deliver the intended benefits before being rolled out across the Group.

In 2015, we introduced a more structured approach to managing the operational risks in connection with major change initiatives, such as the implementation of significant new regulatory requirements and IT projects. This approach is designed to ensure that the operational risks of these initiatives are identified, assessed and managed throughout the life of each program using the relevant components of the operational risk framework. It also considers the fact that even initiatives that are expected to deliver operational risk benefits upon completion may result in increased risks during the implementation phase. We have also established a dedicated function to analyze the risks associated with the deployment of roles and functions to our centers of excellence and the use of third-party vendors and suppliers. This function provides an independent review and challenge over these activities. Furthermore, we have made enhancements to the risk and control indicators that we use to monitor operational risks and assess compliance with the Group's risk appetite. This provides more consistent

and comprehensive risk reporting and clearer triggers for management action.
Maintaining the effectiveness of the Group's control environment is critical to ensuring that operational risks remain within acceptable levels. In 2015, we made improvements to our approaches to cataloging, documenting and evaluating key controls, which should provide more robust and supportable control assessments for use in the RCSA process. This remains an important area of management focus and we plan to make further enhancements in 2016 by introducing a systematic control activities framework that applies consistent standards and approaches to relevant control activities across the Group. This will be a multi-year initiative that starts with the most significant controls and rolls out new processes using a phased approach.
We have continued to make progress in embedding assessments of employee behavior in the risk assessment framework. In 2015, the set of business conduct behaviors were incorporated into a number of human capital management processes, including recruitment, induction, performance assessment, promotion and compensation. We have also introduced enhanced risk indicators covering behavior- and conduct-related matters.
Operational risk regulatory capital measurement
We have used an internal model to calculate the regulatory capital requirement for operational risk under the >>>AMA approach since 2008. In 2014, we introduced an enhanced internal model that incorporated recent developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model for calculating the regulatory capital requirement for operational risk was approved by >>>FINMA with effect from January 1, 2014. We view the revised model as a significant enhancement to our capability to measure and understand the operational risk profile of the Group that is also more conservative than the previous approach.
The model is based on a loss distribution approach that uses historical data on internal and relevant external losses of peers to generate frequency and severity distributions for a range of potential operational risk loss scenarios, such as an unauthorized trading incident or a material business disruption. Business experts and senior management review, and may adjust, the parameters of these scenarios to take account of business environment and internal control factors, such as RCSA results and risk and control indicators, to provide a forward-looking assessment of each scenario. Insurance mitigation is included in the regulatory capital requirement for operational risk where appropriate, by considering the level of insurance coverage for each scenario and incorporating >>>haircuts as appropriate. The internal model then uses the adjusted parameters to generate an overall loss distribution for the Group over a one-year time horizon. The AMA capital requirement represents the 99.9th percentile of this overall loss distribution. We use a risk-sensitive approach to allocating the AMA capital requirement to businesses that is designed to be forward-looking and incentivize appropriate risk management behaviors.
In 2015, we made improvements to the model's treatment of litigation-related losses. Although past litigation losses and litigation-related provisions were incorporated in the model, for FINMA regulatory capital purposes an add-on was previously used to capture the aggregate range of reasonably possible litigation-related losses that are disclosed in our financial statements but are not covered by existing provisions. These reasonably possible losses are now fully captured within the model using an analytical approach and the add-on has therefore been removed with FINMA approval. We also made enhancements to further align the operational risk scenarios with other key components of the operational risk framework and to ensure consistency with the stress scenario framework developed for enterprise-wide risk management purposes.
Operational risk governance
Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams that are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.
The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout the Group for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions.

Conduct risk

Conduct risk is the risk that poor conduct by the Group, its employees or representatives could result in clients not receiving fair treatment or fair outcomes from the transactions they undertake, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which we operate that disadvantages clients.

Conduct risk may arise from a variety of sources, including unauthorized trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, failure to manage conflicts of interest, trade processing errors, inaccurate benchmark submissions, failure to provide best execution where required, acting in an anti-competitive manner, failure to safeguard

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client data or assets and breaches of regulatory rules or laws by individual employees or the Group's market conduct. Conduct risk is being further embedded into the RCSA process within the operational risk framework, which considers the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the Group and at other firms in the financial services sector.

Conduct risk is primarily addressed through specific supervisory controls implemented across the Group and targeted training activities. We seek to promote good behavior and conduct through the Group's Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening our reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviors. Our employee performance assessment and compensation processes are linked to the Code of Conduct and the set of business conduct behaviors.

Technology risk

Technology risk is the risk of financial loss arising from failure, exploitation of vulnerabilities or other deficiencies in the electronic platforms that support our daily operations and the system applications and infrastructure on which they reside. As a component of operational risk, technology risk is inherent not only in our IT assets, but also in the people and processes that interact with them.

Cyber risk, which is part of technology risk, is the risk that our systems will not operate properly or will be compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. We could also be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

Service and infrastructure disruption risks are managed through our business continuity management plan, our technology risk management program and other contingency and resiliency plans. Although we have business continuity plans, our businesses face a wide variety of operational risks, including technology risk arising from dependencies on IT, third-party suppliers and the worldwide telecommunications infrastructure. As a global financial services company, we operate in a complex technological landscape covering our diverse business model. Ensuring that the confidentiality, integrity and availability of information assets are protected is critical to our operations.

Legal, compliance and regulatory risks

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

Compliance risk is the risk of legal or regulatory sanctions or financial loss that may result from the failure to comply with laws, regulations, rules or market standards.

Regulatory risk is the risk that changes in laws, regulations, rules or market standards may limit our activities and have a negative effect on our business or our ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make our products and services more expensive for clients.

As part of our risk framework, legal, compliance and regulatory risks fall within the definition of operational risk. Management of these risks is the responsibility of all our employees.

Reputational risk

Reputational risk is the risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself.

Our policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to our reputation. We have a number of measures to mitigate potential reputational risk.

Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The policy requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the reputational risk review process. This involves a submission by an originator (any employee), endorsement by a business area head or designee, and its subsequent referral to one of the regional reputational risk approvers, each of whom is an experienced and high-ranking senior manager, independent of the business divisions, who has authority to approve, reject or impose conditions on our participation in the transaction or service.

The RRSC, on a global level, and the regional reputational risk committees, on a regional level, are the governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues. At the Board level, the Risk Committee and Audit Committee jointly assist the Board in fulfilling its reputational risk oversight responsibilities by reviewing and assessing the adequacy of the management of reputational risks.

In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking

business, we publish our *Corporate Responsibility Report*, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society.

Fiduciary risk

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

Monitoring investment performance and measuring risks across discretionary client portfolios is central to our oversight program. Areas of focus include:

– Monitoring client investment guidelines or breaches of investment fund obligations to investors. In certain cases, internal limits or guidelines are also established and monitored.

– Ensuring discretionary portfolio managers' investment approach is in line with client expectations and in accordance with written sales and marketing materials.

– Measuring investment performance of client investments and comparing the returns against benchmarks to understand sources and drivers of the returns.

– Assessing risk measures such as exposure, sensitivities, stress scenarios, expected volatility and liquidity across our portfolios to ensure that we are managing the assets in line with the clients' expectations and risk tolerance.

– Treating clients with a prudent standard of care, which includes information disclosure, subscriptions and redemptions processes, trade execution and the highest ethical conduct.

Sound governance is essential for all discretionary management activities including trade execution and investment process. Our program targets daily, monthly or quarterly monitoring of all portfolio management activities with independent analysis provided to senior management. Formal review meetings are in place to ensure that investment performance and risks are in line with expectations and adequately supervised.

Strategic risk

Strategic risk is the risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment. Strategic risk may arise from a variety of sources, including:

– inadequate or inaccurate understanding of our existing capabilities and competitive positioning;

– inadequate or inaccurate analysis of current and prospective operating conditions in our markets including macroeconomic environment, client and competitor behaviors and actions, regulatory developments and technological impacts;

– inappropriate strategic decisions, such as those pertaining to which activities we will undertake, which markets and client segments we will serve, which organizational structure we will adopt and how we will position ourselves relative to competitors;

– ineffective implementation and execution of chosen business strategies and related organizational changes;

– inability to properly identify and analyze key changes in our operating environment, and to adapt strategies accordingly; and

– inability to properly monitor progress against strategic objectives.

A wide variety of financial, risk, client and market analyses are used to monitor the effectiveness of our strategies and the performance of our businesses against their strategic objectives. These include analysis of current and expected operating conditions, analysis of current and target market positioning, and detailed scenario planning.

Strategic plans are developed by each division annually and aggregated into a Group plan, which is reviewed by the CRO, CFO and CEO before presentation to the Executive Board. Following approval by the Executive Board, the Group plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates the Group's performance against strategic objectives and sets the overall strategic direction for the Group. From time to time, the Board and the Executive Board conduct more fundamental in-depth reviews of the Group's strategy. This type of review was undertaken following the appointment of the new CEO in 2015 and leading to the announcement of our new strategy on October 21, 2015.

> Refer to "Strategy" in I – Information on the company for further information.

To complement the annual cycle, each division presents a more detailed individual analysis to review key dimensions of its strategy at various points during the year. Additionally, the CEO, the Executive Board and individual business

heads regularly assess the performance of each business against strategic objectives through a series of strategic business reviews conducted throughout the year. The reviews include assessments of business strategy, overall operating environment, including competitive position, financial performance and key business risks.

Risk review and results

Economic risk capital review

Methodology and model developments

We regularly review and update our economic risk capital methodology to ensure consistency with our business activities and relevance to our business and financial strategies. In 2015, we have enhanced our position risk, economic risk capital and available economic capital methodology, datasets and model parameters and have restated the respective prior-period balances for these updates in order to show meaningful trends.

Position risk

In 2015, we made the following enhancements to the position risk methodology for risk management purposes: for private banking corporate & retail lending exposures, we enhanced the capturing of credit rating change risk, credit spread risk and exposure concentration risk. For real estate & structured assets, we recalibrated the correlation between >>>residential mortgage-backed securities (RMBS) and >>>commercial mortgage-backed securities (CMBS). For international lending and counterparty exposures, we enhanced the capturing of counterparty risk by improving the relationship between rating and >>>loss given default. We also made an enhancement to the position risk dataset for risk management purposes: for fixed income trading, the dataset now includes higher order risks in certain credit derivatives used to hedge traded credit spread risk. The enhancement also helps to standardize the risk capture of these products across the businesses.

The net impact of the 2015 changes and updates on position risk for the Group as of December 31, 2014 was a decrease of CHF 203 million, or 1.7%.

Economic risk capital

For economic risk capital used for capital management purposes, in addition to adopting the above position risk changes and updates, we made the following enhancements:

– for operational risk, we enhanced the connection between the economic risk capital model and our internal approach for the regulatory capital calculation under the >>>AMA approach following the annual recalibration of the operational risk model. Furthermore, we recalibrated the correlation between operational risk and position risk; and

– for other risks, we further increased our other risks charge to reflect a recalibration of our economic risk capital model reserve component to account for planned methodology changes. In addition, we amended our deferred share-based compensation awards model to implement a more dynamic assessment of the economic benefit that may result from covering our structural short obligations to deliver own shares through market purchases during times of falling market prices.

The net impact of the 2015 changes and updates on economic risk capital for the Group as of December 31, 2014 was an increase of CHF 638 million, or 1.9%.

Available economic capital

For available economic capital, we made the following enhancements to reflect the adoption of the gone concern approach:

– including low-trigger capital instruments in addition to high-trigger capital instruments, which were already included;

– excluding deferred tax assets, as they do not absorb losses in a gone concern scenario;

– excluding any dividend accruals to reflect that in the event of an orderly wind-down, no dividend will be paid; and

– taking an economic view of the funded status of our pension plans, such that any unfunded pension obligations in accordance with US GAAP are excluded from CET1 capital to align with the economic funding view captured in the economic risk capital model.

The net impact of this methodology change on available economic capital for the Group as of December 31, 2014 was an increase of CHF 6.7 billion, or 17.1%.

Economic risk capital

			Group			Bank[1]
end of	2015	2014	% change	2015	2014	% change
Available economic capital (CHF million)						
BIS look-through CET1 capital (Basel III)	32,938	28,576	15	33,275	28,720	16
Economic adjustments[2]	16,577	17,135	(3)	15,164	16,211	(6)
Available economic capital	**49,515**	**45,711**	8	**48,439**	**44,931**	8
Economic risk capital (CHF million)						
Position risk (99.97% confidence level)	22,695	21,038	8	22,538	20,883	8
Operational risk	7,501	7,084	6	7,501	7,084	6
Other risks[3]	6,018	6,746	(11)	5,814	6,534	(11)
Economic risk capital	**36,214**	**34,868**	4	**35,853**	**34,501**	4

Economic risk capital coverage ratio (%)

Economic risk capital coverage ratio [4]	**137**	**131**	–	**135**	**130**	–

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

1
The major difference between economic risk capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position risk, operational risk and other risks.

2
Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.

3
Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

4
Ratio of available economic capital to economic risk capital.

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Available economic capital trends

As of the end of 2015, our available economic capital for the Group was CHF 49.5 billion, up CHF 3.8 billion from the end of 2014. BIS look-through CET1 capital increased CHF 4.4 billion, primarily due to the capital increases in the fourth quarter of 2015. Economic adjustments decreased CHF 0.6 billion, mainly due to reduced recognition of deferred tax assets and lower adjustments to unrealized gains on owned real estate.

Economic risk capital by division

in / end of	2015	2014	% change
Economic risk capital by division (CHF million)			
Swiss Universal Bank	4,924	4,971	(1)
International Wealth Management	4,207	4,224	0
Asia Pacific	3,744	3,208	17
Global Markets	13,333	13,024	2
Investment Banking & Capital Markets	4,732	4,376	8
Strategic Resolution Unit	4,913	4,698	5
Corporate Center [1]	383	388	(1)
Economic risk capital – Group [2]	**36,214**	**34,868**	4
Economic risk capital – Bank [3]	**35,853**	**34,501**	4
Average economic risk capital by division (CHF million)			
Swiss Universal Bank	4,791	4,905	(2)
International Wealth Management	4,076	3,930	4
Asia Pacific	3,366	2,974	13
Global Markets	13,248	12,146	9
Investment Banking & Capital Markets	4,358	3,893	12
Strategic Resolution Unit	4,833	4,573	6
Corporate Center [1]	387	379	2
Average economic risk capital – Group [4]	**35,038**	**32,778**	7
Average economic risk capital – Bank [3]	**34,673**	**32,421**	7

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends. The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

1

Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

2

Includes a diversification benefit of CHF 22 million and CHF 21 million as of December 31, 2015 and 2014, respectively.

3

The major difference between economic risk capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position risk, operational risk and other risks.

4

Includes a diversification benefit of CHF 21 million and CHF 22 million as of December 31, 2015 and 2014, respectively.

Economic risk capital trends

Over the course of 2015, our economic risk capital increased 4% to CHF 36.2 billion, mainly due to increased position risk and higher operational risk, partially offset by a net decrease in other risks. The increase in position risk primarily reflected higher private banking corporate & retail lending exposures, higher emerging markets country event risk, higher international lending & counterparty exposures, higher risk in fixed income trading and increased risk in equity trading & investments, partially offset by lower risk in real estate & structured assets. The decrease in other risks was

mainly due to a reduction in credit concentration and expense risk model reserves and a decrease in risks not included in the position risk framework, partially offset by lower benefit from deferred share-based compensation awards.

For Swiss Universal Bank, economic risk capital decreased 1% to CHF 4.9 billion, mainly due to lower owned real estate risk and lower pension risk driven by the change in discount rates in the Swiss pension plan, partially offset by higher operational risk.

For International Wealth Management, economic risk capital was stable at CHF 4.2 billion, mainly reflecting lower risk in equity trading & investments and the reduction in pension risk driven by the change in discount rates in the Swiss pension plan, offset by higher private banking corporate & retail lending exposures and higher operational risk.

For Asia Pacific, economic risk capital increased 17% to CHF 3.7 billion, mainly due to higher private banking corporate & retail lending exposures and higher risk in fixed income trading, partially offset by a decrease in risks not included in the position risk framework.

For Global Markets, economic risk capital increased 2% to CHF 13.3 billion, primarily reflecting higher international lending & counterparty exposures, higher risk in fixed income trading, increased risk in equity trading & investments, decreased benefit from deferred share-based compensation awards, higher pension risk related to revised market data used for measuring US pension plan liabilities and higher operational risk. These increases were partially offset by lower risk in real estate & structured assets, a decrease in risks not included in the position risk framework and a reduction in expense risk model reserves.

For Investment Banking & Capital Markets, economic risk capital increased 8% to CHF 4.7 billion, mainly due to higher international lending & counterparty exposures, higher pension risk related to revised market data used for measuring US pension plan liabilities and decreased benefit from deferred share-based compensation awards, partially offset by a reduction in credit concentration risk model reserves.

For the Strategic Resolution Unit, economic risk capital increased 5% to CHF 4.9 billion, mainly due to increases in international lending & counterparty exposures and emerging markets country event risk that occurred prior to the announcement of our new strategy and the related formation of the Strategic Resolution Unit. These increases were partially offset by a decrease in risks not included in the position risk framework.

Group position risk

end of	2015	2014	% change
Position risk (CHF million)			
Fixed income trading [1]	1,230	958	28
Equity trading & investments	1,872	1,680	11
Private banking corporate & retail lending	2,751	2,268	21
International lending & counterparty exposures	6,306	5,979	5
Emerging markets country event risk	1,544	1,141	35
Real estate & structured assets [2]	1,917	2,487	(23)
Simple sum across risk categories	**15,620**	**14,513**	**8**
Diversification benefit [3]	(2,776)	(2,459)	13
Position risk (99% confidence level for risk management purposes)	**12,844**	**12,054**	**7**
Position risk (99.97% confidence level for capital management purposes)	**22,695**	**21,038**	**8**

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

1
This category comprises fixed income trading, foreign exchange and commodity exposures.

2
This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.

3
Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

Key position risk trends

Compared to the end of 2014, position risk for risk management purposes increased 7% to CHF 12.8 billion, mainly due to higher private banking corporate & retail lending exposures in Asia, increased exposures in Latin America in emerging markets country event risk, new loan commitments in international lending & counterparty exposures, higher credit spread risk from loan-backed financing in the US and higher interest rate risk from >>>derivatives in Europe in fixed income trading, and higher traded equity risk in equity trading & investments, primarily from US equity derivatives. These increases were partially offset by decreased risk in real estate & structured assets, mainly related to reduced CMBS and RMBS exposures.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

Market risk review

Trading book

Development of trading book risks

The tables entitled “One-day, 98% risk management VaR” show our trading-related market risk exposure, as measured by one-day, 98% risk management >>>VaR in Swiss francs and US dollars. As we measure trading book VaR for

internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodities and equity.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 2015, we updated our VaR model to capture certain higher order risks in foreign exchange derivatives and we improved how we capture risk between government bonds and government bond futures. These risks were previously included in our >>>risk not in VaR. We also enhanced our VaR model so that the dataset used to calculate VaR is updated on a weekly rather than a monthly basis. The more frequent updates to the VaR dataset make VaR more responsive to recent market events. Furthermore, we enhanced the capturing of interest rate movements under a negative interest rate environment.

One-day, 98% risk management VaR (CHF)

in / end of	Interest rate	Credit spread	Foreign exchange	Commodity	Equity	Diversi-fication benefit	Total
2015 (CHF million)							
Average	20	36	11	2	23	(43)	49
Minimum	6	31	5	1	16	+	34
Maximum	35	42	22	4	35	+	63
End of period	17	40	9	1	31	(42)	56
2014 (CHF million)							
Average	12	32	9	2	18	(31)	42
Minimum	7	28	5	0	13	+	35
Maximum	17	39	17	4	25	+	56
End of period	9	39	7	1	20	(29)	47
2013 (CHF million)							
Average	18	35	9	2	16	(40)	40
Minimum	8	30	3	1	11	+	33
Maximum	45	41	24	4	36	+	55
End of period	10	32	6	3	24	(30)	45

Excludes risks associated with counterparty and own credit exposures.

1

As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

Average one-day, 98% risk management VaR by division (CHF)

in	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Strategic Resolution Unit	Diversi-fication benefit[1]	Credit Suisse
2015 (CHF million)							
Total average VaR	6	1	17	53	17	(45)	49
2014 (CHF million)							
Total average VaR	2	0	11	45	13	(29)	42
2013 (CHF million)							
Total average VaR	2	0	11	41	16	(30)	40

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

1

Difference between the sum of the standalone VaR for each division and the VaR for the Group.

We measure VaR in US dollars, as a majority of our trading activities are conducted in US dollars.

Average >>>risk management VaR in 2015 increased 11% from 2014 to USD 51 million. The increase was primarily driven by increased interest rate exposures related to a change in the Swiss franc interest rate risk profile and increased equity exposures driven by US and Asian derivatives exposures and higher market volatility. These increases were partially offset by increased diversification benefit.

For Global Markets, average risk management VaR in 2015 increased mainly driven by higher market volatility. For Asia Pacific, the increase in average risk management VaR was primarily driven by increased equity derivatives exposures and higher market volatility. For Swiss Universal Bank, the increase in average risk management VaR was mainly driven by increased interest rate exposures related to a change in the Swiss franc interest rate risk profile. For the Strategic Resolution Unit, higher average risk management VaR was primarily driven by higher exposures from foreign exchange options across currencies.

Period-end risk management VaR as of December 31, 2015 increased 21% to USD 57 million compared to December 31, 2014, mainly reflecting the increased interest rate and equity exposures, partially offset by increased diversification benefit.

One-day, 98% risk management VaR (USD)

in / end of	Interest rate	Credit spread	Foreign exchange	Commodity	Equity	Diversi- fication benefit	Total
2015 (USD million)							
Average	20	37	11	2	24	(43)	51
Minimum	6	32	5	1	17	+	40
Maximum	35	42	23	4	35	+	64
End of period	17	40	9	1	32	(42)	57
2014 (USD million)							
Average	13	35	10	2	20	(34)	46
Minimum	7	31	6	0	15	+	39
Maximum	19	41	19	5	27	+	59
End of period	9	40	7	1	20	(30)	47
2013 (USD million)							
Average	19	38	10	2	17	(43)	43
Minimum	9	32	3	1	12	+	34
Maximum	49	44	25	4	38	+	58
End of period	11	36	7	3	27	(33)	51

Excludes risks associated with counterparty and own credit exposures.

1

As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

Average one-day, 98% risk management VaR by division (USD)

in	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Strategic Resolution Unit	Diversi- fication benefit[1]	Credit Suisse
2015 (CHF million)							
Total average VaR	6	1	17	55	17	(45)	51
2014 (CHF million)							
Total average VaR	2	0	13	50	14	(33)	46
2013 (CHF million)							
Total average VaR	3	0	12	44	17	(33)	43

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

1

Difference between the sum of the standalone VaR for each division and the VaR for the Group.

In the 12-month period ending December 31, 2015, we had one >>>backtesting exception in our >>>regulatory VaR model. In the 12-month periods ending December 31, 2014 and 2013, we had no backtesting exceptions in our regulatory VaR model. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2015, 2014 and 2013, in line with >>>BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, >>>FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

> Refer to “Regulatory capital framework” in Capital management for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

The histogram entitled “Actual daily trading revenues” compares the actual daily trading revenues for 2015 with those for 2014 and 2013. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In

2015, we had nine trading loss days, seven of them with a trading loss not exceeding CHF 25 million, compared to four trading loss days in 2014, each of them with a trading loss not exceeding CHF 25 million.

Banking book

Development of banking book interest rate risks

Interest rate risk on banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the >>>fair value of interest rate-sensitive banking book positions. The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions would have been an increase of CHF 3.3 million as of December 31, 2015, compared to an increase of CHF 4.6 million as of December 31, 2014. The decrease from 2014 was primarily due to an overall risk reduction in the portfolio of the treasury function, mainly reflecting new money market hedges and the ageing of capital instruments. The decrease in the portfolio of the treasury function was partially offset by increased interest rate sensitivity from changes in securitized loans and the retail banking portfolio across the divisions.

One basis point parallel increase in yield curves by currency – banking book positions

end of	CHF	USD	EUR	GBP	Other	Total
2015 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	(1.3)	3.2	0.7	0.0	0.7	3.3
2014 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	(2.4)	4.6	1.9	(0.1)	0.6	4.6

Interest rate risk on banking book positions is also assessed using other measures including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point moves in the yield curves. In 2015, we revised the calculation method by removing the cap on downward changes and now apply the full -100 basis point and -200 basis point moves in the yield curves. We have restated prior-period balances for this change in the calculation method. The net impact of this change on the -200 basis point move in total sensitivity was an increase of CHF 175 million as of December 31, 2014.

Interest rate sensitivity – banking book positions

end of	CHF	USD	EUR	GBP	Other	Total
2015 (CHF million)						
Increase (+)/decrease (–) in interest rates						
+200 basis points	(241)	599	110	18	128	614
+100 basis points	(124)	309	58	5	65	313
–100 basis points	130	(327)	(64)	3	(69)	(327)
–200 basis points	266	(674)	(133)	13	(138)	(666)
2014 (CHF million)						
Increase (+)/decrease (–) in interest rates						
+200 basis points	(431)	906	380	(181)	112	786
+100 basis points	(239)	457	189	(49)	57	415
–100 basis points	264	(466)	(193)	(35)	(60)	(490)
–200 basis points	542	(943)	(396)	(152)	(121)	(1,070)

Prior-period balances have been restated for a change in the calculation method in order to show meaningful trends.

As of December 31, 2015, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 0.7 billion compared to a loss of CHF 1.1 billion as of December 31, 2014. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2015 and 2014, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a one-year holding period at a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of interest rate risk in the banking book.

Development of banking book equity risks

Our equity portfolios of the banking book include positions in private equity, hedge funds, strategic investments and other instruments. These positions may not be strongly correlated with general equity markets. Equity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of CHF 464 million in the value of the banking book portfolio as of December 31, 2015, compared to a decrease of CHF 498 million as of December 31, 2014.

Development of banking book commodity risks

Our commodity portfolios of the banking book include mainly precious metals such as gold, platinum and silver. Commodity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would have been a decrease of CHF 0.1 million and CHF 0.2 million in the value of the banking book portfolio as of December 31, 2015 and 2014, respectively.

Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2015, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would

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have resulted in a CHF 1.1 million gain on the overall derivatives position in the investment banking businesses. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would have resulted in a CHF 16.9 million gain as of December 31, 2015.

Credit risk review

Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. For regulatory capital purposes, credit risk comprises several regulatory categories where credit risk measurement and related regulatory capital requirements are subject to different measurement approaches under the Basel framework. The majority of our credit risk exposure is included in the regulatory category "credit risk by asset class". Other regulatory credit risk categories include credit valuation adjustment risk, securitization risk in the banking book and equity type securities in the banking book. Further details on these regulatory credit risk categories are available in our disclosures required under Pillar 3 of the Basel framework related to risk, which is available on our website at *www.credit-suisse.com/pillar3*.

Credit risk by asset class – gross credit exposure

For regulatory purposes, we categorize our exposures into asset classes with different underlying risk characteristics such as type of counterparty, size of exposure and type of collateral. This asset class categorization is driven by the Basel framework.

The following table presents the description of credit risk by asset class under the Basel framework (grouped as either institutional or retail) and the related regulatory measurement approaches applied.

Credit risk – asset classes

Asset class	Description	Regulatory measurement approaches
Institutional credit risk		
Sovereigns	Exposures to central governments, central banks, BIS, the International Monetary Fund, the European Central Bank and eligible Multilateral Development Banks (MDB).	PD/LGD for most portfolios Standardized for banking book treasury liquidity positions and other assets
Other institutions	Exposures to public bodies with the right to raise taxes or whose liabilities are guaranteed by a public sector entity.	PD/LGD for most portfolios Standardized for banking book treasury liquidity positions and other assets
Banks	Exposures to banks, securities firms, stock exchanges and those MDB that do not qualify for sovereign treatment.	PD/LGD for most portfolios Supervisory risk weights for unsettled trades Standardized for banking book treasury liquidity positions and other assets
Corporates	Exposures to corporations (except small businesses) and public sector entities with no right to raise taxes and whose liabilities are not guaranteed by a public entity. The Corporate asset class also includes specialized lending, in which the lender looks primarily to a single source of revenues to cover the repayment obligations and where only the financed asset serves as security for the exposure (e.g., income-producing real estate or commodities finance).	PD/LGD for most portfolios Supervisory risk weights for investment banking specialized lending exposures Standardized for banking book treasury liquidity positions and other assets
Retail credit risk		
Residential mortgages	Includes exposures secured by residential real estate collateral occupied or let by the borrower.	PD/LGD
Qualifying revolving retail	Includes credit card receivables and overdrafts.	PD/LGD

Other retail	Includes loans collateralized by securities, consumer loans, leasing and small business exposures.	PD/LGD Standardized for other assets
Other credit risk		
Other exposures	Includes exposures with insufficient information to treat under the A-IRB approach or to allocate under the standardized approach into any other asset class.	Standardized

The following table presents our gross credit exposure for "credit risk by asset class", our most significant regulatory credit risk category under the Basel framework, broken down by major types of exposure.

Gross credit exposures by type

end of	2015	2014
Gross credit exposure (CHF million)		
Loans, deposits with banks and other assets [1]	376,594	361,177
Guarantees and commitments	69,432	61,297
Securities financing transactions	31,046	35,131
Derivatives	53,735	63,968
Total gross credit exposure	**530,807**	**521,573**
of which measured under the PD/LGD approach	503,065	502,228

1
Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

For the regulatory credit risk category "credit risk by asset class" under the Basel framework, the following table presents gross credit exposure for portfolios that are measured under the regulatory >>>PD/>>>LGD approach.

Gross credit exposure by asset class – portfolios measured under the PD/LGD approach

end of	2015	2014
Gross credit exposure (CHF million) [1]		
Sovereigns	88,206	77,037
Other institutions	1,752	2,381
Banks	35,579	38,062
Corporates	195,117	204,277
Total institutional	**320,654**	**321,757**
Residential mortgage	102,020	101,350
Qualifying revolving retail	876	672
Other retail	79,515	78,449
Total retail	**182,411**	**180,471**
Total gross credit exposure	**503,065**	**502,228**

1
Gross credit exposures are shown post-substitution as, in certain circumstances, credit risk mitigation is reflected by shifting the counterparty exposure from the underlying obligor to the protection provider.

The following tables presents the credit quality of institutional and retail credit portfolios that are measured under the PD/LGD approach.

Institutional credit exposure by counterparty rating under the PD/LGD approach

end of			2015			2014
	Total exposure (CHF million)	Exposure-weighted average LGD (%)	Undrawn commit-ments (CHF million)	Total exposure (CHF million)	Exposure-weighted average LGD (%)	Undrawn commit-ments (CHF million)
Sovereigns						
AAA	46,768	3.22	22	33,353	5.56	21
AA	33,718	6.33	221	36,154	6.36	137
A	3,063	10.84	–	1,185	38.52	–
BBB	3,065	41.51	–	5,349	44.82	2
BB	1,257	48.79	–	711	26.91	–
B or lower	335	41.40	2	281	42.48	–
Default (net of specific provisions)	–	–	–	4	–	–
Total credit exposure	**88,206**	–	**245**	**77,037**	–	**160**
Other institutions						
AAA	–	–	–	–	–	–
AA	973	44.02	204	1,538	45.21	227
A	259	42.50	44	174	40.42	39
BBB	482	44.86	96	536	43.41	101
BB	5	42.28	–	47	43.73	6
B or lower	33	12.19	4	86	27.37	4
Default (net of specific provisions)	0	–	–	–	–	–
Total credit exposure	**1,752**	–	**348**	**2,381**	–	**377**
Banks						
AAA	–	–	–	–	–	–
AA	7,543	51.68	761	7,577	51.00	930
A	19,850	53.16	2,578	20,779	51.76	2,599
BBB	5,079	46.30	312	6,603	45.39	278
BB	2,641	51.47	50	2,364	49.70	74
B or lower	397	50.94	19	587	40.17	46
Default (net of specific provisions)	69	–	11	152	–	–
Total credit exposure	**35,579**	–	**3,731**	**38,062**	–	**3,927**
Corporates						
AAA	–	–	–	–	–	–
AA	39,447	46.01	7,993	46,771	48.29	8,522
A	38,437	46.28	11,804	46,692	38.79	10,783
BBB	49,490	37.12	12,196	49,069	35.93	10,280
BB	48,931	32.73	10,620	43,584	33.60	6,515
B or lower	17,015	27.17	5,625	17,312	30.47	6,181
Default (net of specific provisions)	1,797	–	81	849	–	20
Total credit exposure	**195,117**	–	**48,319**	**204,277**	–	**42,301**
Total institutional credit exposure	**320,654**	–	**52,643**	**321,757**	–	**46,765**

Retail credit exposure by expected loss band under the PD/LGD approach

end of			2015			2014
	Total exposure (CHF million)	Exposure-weighted average LGD (%)	Undrawn commit-ments (CHF million)	Total exposure (CHF million)	Exposure-weighted average LGD (%)	Undrawn commit-ments (CHF million)
Residential mortgages						
0.00%–0.15%	96,708	15.30	1,222	95,468	15.74	1,298
0.15%–0.30%	3,232	23.28	77	3,695	28.75	102
0.30%–1.00%	1,728	23.56	15	1,820	28.97	26
1.00% and above	129	22.45	–	148	24.98	–
Defaulted (net of specific provisions)	223	–	3	219	–	1
Total credit exposure	**102,020**	–	**1,317**	**101,350**	–	**1,427**
Qualifying revolving retail						
0.00%–0.15%	–	–	–	–	–	–
0.15%–0.30%	–	–	–	–	–	–
0.30%–1.00%	769	50.00	–	491	50.00	–
1.00% and above	106	20.00	–	180	20.00	–
Defaulted (net of specific provisions)	1	–	–	1	–	–
Total credit exposure	**876**	–	**–**	**672**	–	**–**
Other retail						
0.00%–0.15%	68,647	55.15	1,239	72,559	53.58	1,192
0.15%–0.30%	2,271	62.87	45	924	60.79	73
0.30%–1.00%	3,786	46.27	90	2,406	44.30	73
1.00% and above	4,444	57.99	45	2,407	46.39	48
Defaulted (net of specific provisions)	367	–	2	153	–	3
Total credit exposure	**79,515**	–	**1,421**	**78,449**	–	**1,389**
Total retail credit exposure	**182,411**	–	**2,738**	**180,471**	–	**2,816**

Loans and irrevocable loan commitments

The following table provides an overview of loans and irrevocable loan commitments by division in accordance with generally accepted accounting standards in the US and are not comparable with the regulatory credit risk exposures presented in the tables above.

Loans and irrevocable loan commitments

end of	2015	2014	% change
Loans and irrevocable loan commitments (CHF million)			
Gross loans	274,006	273,421	0
Irrevocable loan commitments	137,653	120,290	14
Total loans and irrevocable loan commitments	**411,659**	**393,711**	5
of which Swiss Universal Bank	173,317	173,798	0
of which International Wealth Management	43,592	42,291	3
of which Asia Pacific	39,101	35,558	10
of which Global Markets	66,721	51,722	29
of which Investment Banking & Capital Markets	72,529	71,852	1
of which Strategic Resolution Unit	16,399	18,490	(11)

Loans held-for-sale and traded loans

As of December 31, 2015 and 2014, loans held-for-sale included CHF 258 million and CHF 343 million, respectively, of US subprime residential mortgages from consolidated variable interest entities (VIE) and CHF 91 million and CHF 1,282 million, respectively, of low-grade European residential mortgages from consolidated VIEs. Traded loans included US subprime residential mortgages of CHF 1,118 million and CHF 1,299 million as of December 31, 2015 and 2014, respectively.

Loans

The following table provides an overview of our loans by loan classes, impaired loans, the related allowance for loan losses and selected loan metrics by business division. The carrying values of loans and related allowance for loan losses are presented in accordance with generally accepted accounting standards in the US and are not comparable with the regulatory credit risk exposures presented above.

Loans

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse
2015 (CHF million)							
Mortgages	97,529	3,994	1,039	0	0	602	103,164
Loans collateralized by securities	7,775	16,762	11,167	0	554	1,688	37,946
Consumer finance	2,971	433	29	28	1	304	3,766
Consumer	108,275	21,189	12,235	28	555	2,594	144,876
Real estate	23,510	858	329	385	779	590	26,451
Commercial and industrial loans	27,670	16,262	21,189	2,597	6,979	3,070	77,767
Financial institutions	4,097	1,279	1,654	9,743	1,835	2,726	21,334
Governments and public institutions	842	63	593	694	0	1,386	3,578
Corporate & institutional	56,119[1]	18,462[2]	23,765	13,419	9,593	7,772	129,130
Gross loans	**164,394**	**39,651**	**36,000**	**13,447**	**10,148**	**10,366**	**274,006**
of which held at fair value	81	202	4,724	5,237	4,832	5,744	20,820
Net (unearned income) / deferred expenses	0	(78)	(26)	(29)	(12)	0	(145)
Allowance for loan losses[3]	(482)	(109)	(61)	(33)	(29)	(152)	(866)
Net loans	**163,912**	**39,464**	**35,913**	**13,385**	**10,107**	**10,214**	**272,995**
2014 (CHF million)							
Mortgages	93,499	3,571	849	0	0	883	98,802
Loans collateralized by securities	7,842	17,654	10,485	0	701	3,136	39,818
Consumer finance	3,406	433	20	39	0	425	4,323
Consumer	104,747	21,658	11,354	39	701	4,444	142,943
Real estate	25,497	803	423	677	685	1,113	29,198
Commercial and industrial loans	27,928	14,747	18,861	2,106	6,708	4,696	75,046
Financial institutions	6,053	1,546	2,050	8,437	1,415	2,842	22,343
Governments and public institutions	1,031	100	312	581	247	1,620	3,891
Corporate & institutional	60,509[1]	17,196[2]	21,646	11,801	9,055	10,271	130,478
Gross loans	**165,256**	**38,854**	**33,000**	**11,840**	**9,756**	**14,715**	**273,421**
of which held at fair value	202	206	4,609	7,010	4,859	6,027	22,913
Net (unearned income) / deferred expenses	22	(91)	(27)	(7)	(8)	(1)	(112)
Allowance for loan losses[3]	(523)	(61)	(21)	(34)	(25)	(94)	(758)
Net loans	**164,755**	**38,702**	**32,952**	**11,799**	**9,723**	**14,620**	**272,551**

1

Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 44,007 million and CHF 45,358 million as of December 31, 2015 and 2014, respectively.

2

Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 15,763 million and CHF 14,766 million as of December 31, 2015 and 2014, respectively.

3

Allowance for loan losses are only based on loans which are not carried at fair value.

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Compared to December 31, 2014, gross loans were stable at CHF 274.0 billion, as higher residential mortgages and commercial and industrial loans were offset by lower loans to the real estate sector, loans collateralized by securities and loans to financial institutions. The net increase of CHF 4.4 billion in residential mortgages was largely driven by higher lending in Swiss Universal Bank. Commercial and industrial loans increased CHF 2.7 billion primarily in Asia Pacific and International Wealth Management, partially offset by a decrease in the Strategic Resolution Unit. Loans to the real estate sector decreased CHF 2.7 billion, driven by decreases in Swiss Universal Bank and the Strategic Resolution Unit. A net decrease of CHF 1.9 billion in loans collateralized by securities was mainly driven by decreases in the Strategic Resolution Unit and International Wealth Management, partially offset by increased lending in Asia Pacific. Loans to financial institutions decreased CHF 1.0 billion, primarily reflecting a decrease in Swiss Universal Bank, partially offset by an increase in Global Markets. The euro translation impact on gross loans was slightly negative, mainly in our private banking, corporate and institutional businesses based in Switzerland and Europe. On a divisional level, increases in gross loans of CHF 3.0 billion and CHF 1.6 billion in Asia Pacific and Global Markets, respectively, were largely offset by a decrease of CHF 4.3 billion in the Strategic Resolution Unit. All other divisions were stable compared to December 31, 2014.

> Refer to “Note 19 – Loans, allowance for loan losses and credit quality” in V – Consolidated financial statements – Credit Suisse Group.

As of December 31, 2015, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 102.3 billion had an LTV ratio equal or lower than 80%. As of December 31, 2014, 96% of the corresponding loan portfolio of CHF 99.6 billion had an LTV ratio equal or lower than 80%. For substantially all Swiss residential mortgage loans originated in 2015 and 2014, the average LTV ratio was equal or lower than 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

Impaired loans

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse
2015 (CHF million)							
Non-performing loans	414	92	207	55	87	128	983
Non-interest-earning loans	201	33	3	0	0	35	272
Total non-performing and non-interest-earning loans	615	125	210	55	87	163	1,255
Restructured loans	50	59	10	0	11	152	282
Potential problem loans	155	125	23	9	30	94	436
Total other impaired loans	205	184	33	9	41	246	718
Gross impaired loans [1]	**820**	**309**	**243**	**64**	**128**	**409**	**1,973**
of which loans with a specific allowance	753	206	241	64	21	325	1,610
of which loans without a specific allowance	67	103	2	0	107	84	363
2014 (CHF million)							
Non-performing loans	446	83	11	66	0	147	753
Non-interest-earning loans	227	27	1	0	0	24	279
Total non-performing and non-interest-earning loans	673	110	12	66	0	171	1,032
Restructured loans	33	1	1	0	3	133	171
Potential problem loans	104	29	7	9	0	38	187
Total other impaired loans	137	30	8	9	3	171	358
Gross impaired loans [1]	**810**	**140**	**20**	**75**	**3**	**342**	**1,390**
of which loans with a specific allowance	762	102	20	69	3	341	1,297
	48	38	0	6	0	1	93

of which loans without a specific allowance

1 Impaired loans are only based on loans which are not carried at fair value.

Impaired loans and allowance for loan losses

Compared to December 31, 2014, gross impaired loans increased CHF 0.6 billion to CHF 2.0 billion as of December 31, 2015, mainly driven by new potential problem loans, primarily in International Wealth Management, Swiss Universal Bank and the Strategic Resolution Unit and higher non-performing loans in Asia Pacific and Investment Banking & Capital Markets. These increases were partially offset by repayments, upgrades to performing loans, write-offs and the restructuring of non-performing and non-interest earning loans.

On a divisional level, the increase in gross impaired loans compared to December 31, 2014 was primarily driven by Asia Pacific, International Wealth Management and Investment Banking & Capital Markets. The increase in Asia Pacific reflected the weakness

in Asian economies with share-backed loans adversely impacted as equity market volatility increased and stock prices dropped. In International Wealth Management, higher impaired loans were mainly related to new individual cases in ship finance and financial services. In Investment Banking & Capital Markets, higher impaired loans reflected the continuing decline of oil and natural gas prices during 2015, which caused borrowers in these industries to experience declines in revenue, hindering their ability to repay loans.
> Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 19 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.
Allowance for loan losses

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse
2015 (CHF million)							
Allowance for loan losses at beginning of period [1]	**523**	**61**	**21**	**34**	**25**	**94**	**758**
Net movements recognized in statements of operations	111	51	34	(3)	2	100	295
Gross write-offs	(169)	(5)	(1)	(1)	(2)	(51)	(229)
Recoveries	16	2	1	3	3	3	28
Net write-offs	(153)	(3)	0	2	1	(48)	(201)
Provisions for interest	3	1	5	0	1	8	18
Foreign currency translation impact and other adjustments, net	(2)	(1)	1	0	0	(2)	(4)
Allowance for loan losses at end of period [1]	**482**	**109**	**61**	**33**	**29**	**152**	**866**
of which individually evaluated for impairment	349	77	49	21	7	147	650
of which collectively evaluated for impairment	133	32	12	12	22	5	216
2014 (CHF million)							
Allowance for loan losses at beginning of period [1]	**551**	**54**	**64**	**50**	**18**	**132**	**869**
Net movements recognized in statements of operations	100	12	9	(5)	1	28	145
Gross write-offs	(152)	(8)	(64)	(19)	(1)	(105)	(349)
Recoveries	15	1	0	3	2	20	41
Net write-offs	(137)	(7)	(64)	(16)	1	(85)	(308)
Provisions for interest	(3)	1	10	0	1	11	20
Foreign currency translation impact and other adjustments, net	12	1	2	5	4	8	32
Allowance for loan losses at end of period [1]	**523**	**61**	**21**	**34**	**25**	**94**	**758**
of which individually evaluated for impairment	388	32	7	20	1	92	540
of which collectively evaluated for impairment	135	29	14	14	24	2	218

1

Allowance for loan losses are only based on loans which are not carried at fair value.

The following tables provide an overview of changes in impaired loans and related allowance for loan losses by loan portfolio segment for 2015 and 2014.

Gross impaired loans by loan portfolio segment

			2015			2014
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Gross impaired loans (CHF million)						
Balance at beginning of period	**582**	**808**	**1,390**	**569**	**920**	**1,489**
New impaired loans	493	1,093	1,586	359	331	690
Increase in existing impaired loans	21	41	62	32	69	101
Reclassifications to performing loans	(167)	(127)	(294)	(93)	(4)	(97)
Repayments [1]	(79)	(317)	(396)	(170)	(224)	(394)
Liquidation of collateral, insurance or guarantee payments	(86)	(46)	(132)	(37)	(85)	(122)
Sales [2]	0	(4)	(4)	(11)	(3)	(14)
Write-offs	(113)	(111)	(224)	(81)	(238)	(319)
Foreign currency translation impact and other adjustments, net	(4)	(11)	(15)	14	42	56
Balance at end of period	**647**	**1,326**	**1,973**	**582**	**808**	**1,390**

1

Full or partial principal repayments.

2

Includes transfers to loans held-for-sale for intended sales of held-to-maturity loans.

Allowance for loan losses by loan portfolio segment

			2015			2014
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)						
Balance at beginning of period	**251**	**507**	**758**	**267**	**602**	**869**
Net movements recognized in statements of operations	66	229	295	66	79	145
Gross write-offs	(118)	(111)	(229)	(108)	(241)	(349)
Recoveries	12	16	28	17	24	41
Net write-offs	(106)	(95)	(201)	(91)	(217)	(308)
Provisions for interest	6	12	18	1	19	20
Foreign currency translation impact and other adjustments, net	(1)	(3)	(4)	8	24	32
Balance at end of period	**216**	**650**	**866**	**251**	**507**	**758**
of which individually evaluated for impairment	170	480	650	202	338	540
of which collectively evaluated for impairment	46	170	216	49	169	218

Loan metrics

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse
2015 (%)							
Total non-performing and non-interest-earning loans / Gross loans [1]	0.4	0.3	0.7	0.7	1.6	3.5	0.5
Gross impaired loans / Gross loans [1]	0.5	0.8	0.8	0.8	2.4	8.8	0.8
Allowance for loan losses / Gross loans [1, 2]	0.3	0.3	0.2	0.4	0.5	3.3	0.3
Specific allowance for loan losses / Gross impaired loans [1, 2]	42.6	24.9	20.2	32.8	5.5	35.9	32.9
2014 (%)							
Total non-performing and non-interest-earning loans / Gross loans [1]	0.4	0.3	0.0	1.4	0.0	2.0	0.4
Gross impaired loans / Gross loans [1]	0.5	0.4	0.1	1.6	0.1	3.9	0.6
Allowance for loan losses / Gross loans [1, 2]	0.3	0.2	0.1	0.7	0.5	1.1	0.3
Specific allowance for loan losses / Gross impaired loans [1, 2]	47.9	22.9	35.0	26.7	33.3	26.9	38.8

1
Excludes loans carried at fair value.
2
Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.

Provision for credit losses

Net provision for credit losses charged to the consolidated statements of operations in 2015 was CHF 324 million, of which CHF 138 million was reported by Swiss Universal Bank, CHF 132 million by the Strategic Resolution Unit and CHF 35 million by Asia Pacific. The overall net increase in provision for credit losses of CHF 138 million from CHF 186 million in 2014 was mainly related to increases of CHF 99 million in the Strategic Resolution Unit and CHF 44 million in Swiss Universal Bank.

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

>>>Derivatives are either privately negotiated >>>OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and >>>credit default swaps (CDS), interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their >>>fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. >>>Positive replacement values (PRV) constitute an asset, while >>>negative replacement values (NRV) constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices

where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.
The following table illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable >>>netting agreements and collateral agreements. Netting agreements allow us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us. The carrying values of derivatives are presented in accordance with generally accepted accounting standards in the US and are not comparable with the derivatives metrics presented in the regulatory credit risk exposure table "Credit risk by asset class – gross credit exposures by type".

Derivative instruments by maturity

end of	2015				2014			
due within	Less than 1 year	1 to 5 years	More than 5 years	Positive replace-ment value	Less than 1 year	1 to 5 years	More than 5 years	Positive replace-ment value
Derivative instruments (CHF billion)								
Interest rate products	15.0	60.7	94.1	169.8	30.1	132.0	310.6	472.7
Foreign exchange products	30.6	18.9	10.4	59.9	52.6	24.8	12.0	89.4
Equity/index-related products	6.6	5.6	1.3	13.5	9.2	6.7	1.8	17.7
Credit derivatives	2.7	12.4	2.7	17.8	2.3	21.3	3.4	27.0
Other products [1]	0.8	0.9	1.4	3.1	4.0	3.6	1.7	9.3
OTC derivative instruments	**55.7**	**98.5**	**109.9**	**264.1**	**98.2**	**188.4**	**329.5**	**616.1**
Exchange-traded derivative instruments				9.6				13.4
Netting agreements [2]				(245.1)				(590.0)
Total derivative instruments				**28.6**				**39.5**
of which recorded in trading assets				28.4				38.0
of which recorded in other assets				0.2				1.5

1
Primarily precious metals, commodity, energy and emission products.
2
Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. The following table represents the rating split of our credit exposure from derivative instruments.

Derivative instruments by counterparty credit rating

end of	2015	2014
Derivative instruments (CHF billion)		
AAA	1.7	2.5
AA	6.4	9.1
A	7.5	9.2
BBB	8.8	11.8
BB or lower	3.6	5.1
OTC derivative instruments	**28.0**	**37.7**
Exchange-traded derivative instruments [1]	0.6	1.8
Total derivative instruments [1]	**28.6**	**39.5**

1
Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where

the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

> Refer to “Note 27 – Offsetting of financial assets and financial liabilities” in V – Consolidated financial statements – Credit Suisse Group for further information on offsetting of derivatives.
> Refer to “Note 32 – Derivatives and hedging activities” in V – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps

are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our >>>OTC derivative and >>>reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from >>>G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history, as well as the absolutely worst weekly move observed in the same dataset. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure that we have to this country in the event of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would

be severely affected by a default across the selected European countries. These counterparties are assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country even if its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view before deduction of any related allowance for loan losses. We present our credit risk exposure and related >>>risk mitigation for the following distinct categories:

– *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the >>>PRV of derivative instruments after consideration of legally enforceable >>>netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.

– *Risk mitigation* includes >>>CDS and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for exposures of our private banking, corporate and institutional businesses to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.

– *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.

– *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and >>>total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market >>>fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Portugal and Spain as of December 31, 2015 was EUR 3.7 billion, down from EUR 4.7 billion as of December 31, 2014. Our net exposure to these sovereigns was EUR 0.8 billion, up from EUR 0.5 billion as of December 31, 2014. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2015 included net exposure to financial institutions of EUR 3.7 billion and to corporates and other counterparties of EUR 1.3 billion, compared to EUR 2.9 billion and EUR 1.2 billion, respectively, as of December 31, 2014. In the second quarter of 2015, our gross credit risk exposure to Malta exceeded our quantitative reporting threshold of EUR 0.5 billion. On a gross basis, our risk-based credit risk exposure to Malta as of December 31, 2015 was EUR 0.5 billion, mostly related to corporates and other counterparties. On a net basis, our credit risk exposure to this country was EUR 4 million.

A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

Sovereign debt rating developments

From year-end 2014 through February 29, 2016, the sovereign debt ratings of the countries listed in the table changed as follows: Standard & Poor's increased Cyprus' rating from B+ to BB-, lowered Greece's rating from B to B-, increased Ireland's rating from A to A+, increased Portugal's rating from BB to BB+ and increased Spain's rating from BBB to BBB+. Fitch increased Cyprus' rating from B- to B+, lowered Greece's rating from B to CCC and increased Ireland's rating from A- to A. Moody's increased Cyprus' rating from B3 to B1 and lowered Greece's rating from CAA1 to

CAA3. These rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

Selected European credit risk exposures

	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory[2]		Total credit risk exposure	
December 31, 2015		CDS	Other[1]			Net synthetic inventory[3]	Gross	Net
Croatia (EUR million)								
Sovereign	304	1	271	32	0	(102)	304	32
Corporates & other	102	0	2	100	0	0	102	100
Total	**406**	**1**	**273**	**132**	**0**	**(102)**	**406**	**132**
Cyprus (EUR million)								
Sovereign	0	0	0	0	4	0	4	4
Financial institutions	8	0	8	0	0	0	8	0
Corporates & other	1,013	0	1,004	9	0	0	1,013	9
Total	**1,021**	**0**	**1,012**	**9**	**4**	**0**	**1,025**	**13**
Greece (EUR million)								
Sovereign	0	0	0	0	19	18	19	19
Financial institutions	128	0	118	10	9	0	137	19
Corporates & other	1,375	0	1,355	20	26	(50)	1,401	46
Total	**1,503**	**0**	**1,473**	**30**	**54**	**(32)**	**1,557**	**84**
Ireland (EUR million)								
Sovereign	0	0	0	0	8	11	8	8
Financial institutions	1,769	19	376	1,374	327	(76)	2,096	1,701
Corporates & other	1,111	112	852	147	11	(69)	1,122	158
Total	**2,880**	**131**	**1,228**	**1,521**	**346**	**(134)**	**3,226**	**1,867**
Italy (EUR million)								
Sovereign	3,249	2,442	138	669	48	45	3,297	717
Financial institutions	1,458	0	836	622	73	(45)	1,531	695
Corporates & other	2,939	71	2,417	451	71	(166)	3,010	522
Total	**7,646**	**2,513**	**3,391**	**1,742**	**192**	**(166)**	**7,838**	**1,934**
Malta (EUR million)								
Financial institutions	3	0	0	3	0	0	3	3
Corporates & other	542	0	541	1	0	0	542	1
Total	**545**	**0**	**541**	**4**	**0**	**0**	**545**	**4**
Portugal (EUR million)								
Sovereign	0	0	0	0	19	25	19	19
Financial institutions	123	0	117	6	108	(7)	231	114
Corporates & other	192	0	108	84	16	(30)	208	100
Total	**315**	**0**	**225**	**90**	**143**	**(12)**	**458**	**233**
Spain (EUR million)								
Sovereign	16	0	0	16	7	(38)	23	23
Financial institutions	1,629	3	750	876	246	(218)	1,875	1,122
Corporates & other	1,677	20	1,348	309	37	(173)	1,714	346
Total	**3,322**	**23**	**2,098**	**1,201**	**290**	**(429)**	**3,612**	**1,491**
Total (EUR million)								
Sovereign	3,569	2,443	409	717	105	(41)	3,674	822
Financial institutions	5,118	22	2,205	2,891	763	(346)	5,881	3,654
Corporates & other	8,951	203	7,627	1,121	161	(488)	9,112	1,282
Total	**17,638**	**2,668**	**10,241**	**4,729**	**1,029**	**(875)**	**18,667**	**5,758**

1
Includes other hedges (derivative instruments), guarantees, insurance and collateral.
2
Represents long inventory positions netted at issuer level.
3
Substantially all of which results from CDS; represents long positions net of short positions.

Balance sheet, off-balance sheet and other contractual obligations

During 2015, we decreased total assets and total liabilities by 11%, reflecting a decrease in operating activities and the foreign exchange translation impact. As of the end of 2015, total assets were CHF 820.8 billion, total liabilities were CHF 775.8 billion and total equity was CHF 45.0 billion.

Balance sheet summary

			end of		% change
	2015	2014	2013	15 / 14	14 / 13
Assets (CHF million)					
Cash and due from banks	92,328	79,349	68,692	16	16
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	123,049	163,208	160,022	(25)	2
Trading assets	190,737	241,131	229,413	(21)	5
Net loans	272,995	272,551	247,054	0	10
Brokerage receivables	34,542	41,629	52,045	(17)	(20)
All other assets	107,154	123,594	115,580	(13)	7
Total assets	**820,805**	**921,462**	**872,806**	(11)	6
Liabilities and equity (CHF million)					
Due to banks	21,054	26,009	23,108	(19)	13
Customer deposits	342,705	369,058	333,089	(7)	11
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	46,598	70,119	94,032	(34)	(25)
Trading liabilities	48,971	72,655	76,635	(33)	(5)
Long-term debt	197,608	177,898	130,042	11	37
Brokerage payables	39,452	56,977	73,154	(31)	(22)
All other liabilities	79,399	103,745	95,580	(23)	9
Total liabilities	**775,787**	**876,461**	**825,640**	(11)	6
Total shareholders' equity	**44,382**	**43,959**	**42,164**	1	4
Noncontrolling interests	636	1,042	5,002	(39)	(79)
Total equity	**45,018**	**45,001**	**47,166**	0	(5)
Total liabilities and equity	**820,805**	**921,462**	**872,806**	(11)	6

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The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.
Balance sheet
Total assets were CHF 820.8 billion as of the end of 2015, down CHF 100.7 billion, or 11%, from the end of 2014. Excluding the foreign exchange translation impact, total assets decreased CHF 93.8 billion.
In Swiss francs, trading assets decreased CHF 50.4 billion, or 21%, reflecting decreases in equity securities, debt securities, derivative instruments and foreign exchange translation impact. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions decreased CHF 40.2 billion, or 25%, mainly driven by a decrease in reverse repurchase balances with customers, a decrease in cash collateral to customers and banks as well as the foreign exchange translation impact. A decrease of CHF 7.1 billion, or 17%, in brokerage receivables was mainly due to lower margin lending balances, decrease in open trade receivables balances with bank and customer counterparties and a decrease in futures margin receivables balances. Cash and due from banks increased CHF 13.0 billion, or 16%, driven mainly by higher cash balances with the Fed and the SNB. Net loans were stable. All other assets decreased CHF 16.4 billion, or 13%, including decreases of CHF 12.5 billion, or 18%, in other assets, decreases of CHF 3.8 billion, or 44%, in goodwill and decreases of CHF 1.6 billion, or 18%, in other investments, partially offset by an increase of CHF 1.7 billion, or 6%, in securities received as collateral.
Total liabilities were CHF 775.8 billion as of the end of 2015, down CHF 100.7 billion, or 11%, from the end of 2014. Excluding the foreign exchange translation impact, total liabilities decreased CHF 96.2 billion.
In Swiss francs, customer deposits decreased CHF 26.4 billion, or 7%, primarily due to a decrease in certificates of deposits, lower current and corporate accounts with international institutional, corporate and private clients, lower custody accounts and cash deposits related to Swiss institutional and public clients as well as the foreign exchange translation impact. Trading liabilities decreased CHF 23.7 billion, or 33%, reflecting a decrease in derivative instruments, short trading positions and the foreign exchange translation impact. A decrease of CHF 23.5 billion, or 34%, in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions mainly reflected decreases in >>>repurchase transactions with customers and banks. Brokerage payables decreased CHF 17.5 billion, or 31%, mainly due to lower margin lending customer counterparty balances, lower open cash trades and a decrease in futures margin lending payables. Due to banks decreased CHF 5.0 billion, or 19%, primarily due to a decrease in time and demand deposits. Long-term debt increased CHF 19.7 billion, or 11%, primarily reflecting issuances of senior debt, partially offset by maturities of senior debt and the foreign exchange translation impact. All other liabilities decreased CHF 24.3 billion, or 23%, including decreases of CHF 17.3 billion, or 67%, in short-term borrowings and CHF 8.7 billion, or 17%, in other liabilities, partially offset by an increase of CHF 1.7 billion, or 6%, in obligation to return securities received as collateral.
> Refer to “Liquidity and funding management” and “Capital management” for more information, including our funding of the balance sheet and the leverage ratio.
Off-balance sheet
We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.
Derivative instruments
We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.
>>>Derivatives are either privately negotiated >>>OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and >>>CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.
The replacement values of derivative instruments correspond to their >>>fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. >>>PRV constitute

an asset, while >>>negative replacement values constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

> Refer to “Derivative instruments” in Risk management – Risk review and results – Credit risk review for further information.
> Refer to “Note 32 – Derivatives and hedging activities” in V – Consolidated financial statements – Credit Suisse Group for further information.
> Refer to “Note 35 – Financial instruments” in V – Consolidated financial statements – Credit Suisse Group for further information.

Guarantees and similar arrangements

In the ordinary course of business, guarantees and indemnifications are provided that contingently obligate us to make payments to a guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees provided include, but are not limited to, customary indemnifications to purchasers in connection with the sale of assets or businesses; to investors in private equity funds sponsored by us regarding potential obligations of their employees to return amounts previously paid as carried interest; to investors in our securities and other arrangements to provide gross-up payments if there is a withholding or deduction because of a tax assessment or other governmental charge; and to counterparties in connection with securities lending arrangements.

In connection with the sale of assets or businesses, we sometimes provide the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. We closely monitor all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in our consolidated financial statements.

US GAAP requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of obligations undertaken for guarantees issued or amended after December 31, 2002.

> Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for disclosure of our estimated maximum payment obligations under certain guarantees and related information.

Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, we have provided certain representations and warranties relating to the loans sold. We have provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that we have purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; LTV ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, we may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether we will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether we can successfully claim against parties that sold loans to us and made representations and warranties to us; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

> Refer to "Representations and warranties on residential mortgage loans sold" in Note 33 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group for further information.

Involvement with special purpose entities

In the normal course of business, we enter into transactions with, and make use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist us and our clients in securitizing financial assets and creating investment products. We also use SPEs for other client-driven activity, such as to facilitate financings, and for Group tax or regulatory purposes.

As a normal part of our business, we engage in various transactions that include entities that are considered VIEs and are grouped into three primary categories: >>>collateralized debt obligations, >>>CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. 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 potentially has significant

benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, we may hold interests in the VIEs.

> Refer to "Note 34 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

We issue subordinated and senior securities through SPEs that lend the proceeds to the Group.

Contractual obligations and other commercial commitments

In connection with our operating activities, we enter into certain contractual obligations and commitments to fund certain assets. Our contractual obligations and commitments include short and long-term on-balance sheet obligations as well as future contractual interest payments and off-balance sheet obligations. Total obligations decreased CHF 71.4 billion in 2015 to CHF 669.8 billion, primarily reflecting the decrease in customer deposits of CHF 26.4 billion to CHF 342.7 billion, the decrease in trading liabilities of CHF 23.7 billion to CHF 49.0 billion, the decrease in brokerage payables of CHF 17.5 billion to CHF 39.5 billion, the decrease in short-term borrowings of CHF 17.3 billion to CHF 8.7 billion, the decrease in due to banks of CHF 5.0 billion to CHF 21.1 billion, the decrease in contractual interest payments of CHF 0.8 billion to CHF 4.6 billion and the decrease in operating lease obligations CHF 0.4 billion to CHF 6.0 billion, partially offset by the increase in long-term debt of CHF 19.7 billion to CHF 197.6 billion.

> Refer to “Note 25 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt and the related interest commitments.

> Refer to “Note 33 – Guarantees and commitments” in V – Consolidated financial statements – Credit Suisse Group for further information on commitments.

Contractual obligations and other commercial commitments

					2015	2014
Payments due within	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Total
On- and off-balance sheet obligations (CHF million)						
Due to banks	19,297	1,455	27	275	21,054	26,009
Customer deposits	340,315	1,484	120	786	342,705	369,058
Short-term borrowings	8,657	0	0	0	8,657	25,921
Long-term debt [1]	22,338	60,557	41,157	73,556	197,608[2]	177,898[2]
Contractual interest payments [3]	1,345	2,027	262	925	4,559[4]	5,346
Trading liabilities	48,971	0	0	0	48,971	72,655
Brokerage payables	39,452	0	0	0	39,452	56,977
Capital lease obligations	0	0	0	0	0	0
Operating lease obligations	564	1,065	941	3,461	6,031	6,476
Purchase obligations	422	300	62	4	788	840
Total obligations [5]	**481,361**	**66,888**	**42,569**	**79,007**	**669,825**	**741,180**

1
Refer to "Debt issuances and redemptions" in Liquidity and funding management and "Note 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt.

2
Includes non-recourse liabilities from consolidated VIEs of CHF 14,826 million and CHF 13,452 million as of December 31, 2015 and 2014, respectively.

3
Includes interest payments on fixed rate long-term debt, fixed rate interest-bearing deposits (excluding demand deposits) and fixed rate short-term borrowings, which have not been effectively converted to variable rate on an individual instrument level through the use of swaps.

4
Due to the non-determinable nature of interest payments, the following notional amounts have been excluded from the table: variable rate long-term debt of CHF 99,125 million, variable rate short-term borrowings of CHF 7,135 million, variable rate interest-bearing deposits and demand deposits of CHF 259,109 million, fixed rate long-term debt and fixed rate interest-bearing deposits converted to variable rate on an individual instrument level through the use of swaps of CHF 84,903 million and CHF 398 million, respectively.

5
Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 1,145 million and CHF 689 million as of December 31, 2015 and 2014, respectively, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension and other post-retirement benefits.

Corporate Governance

The Group's corporate governance complies with internationally accepted standards. We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group's corporate governance and assists investors in their investment decisions.

Corporate Governance developments

The Group's corporate governance underwent a number of important changes during 2015, the most significant being the appointment of new management and the restructuring of the Group's businesses to align with the new strategy announced in October 2015. The key corporate governance developments for the Group in 2015 include:

– The appointment of new Chief Executive Officer (CEO) Tidjane Thiam effective July 1, 2015, followed by senior leadership changes within the Executive Board effective October 21, 2015;
– The establishment of five new business divisions (Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets and Investment Banking & Capital Markets) and the Strategic Resolution Unit to align with the new strategy announced in October 2015;
– The establishment of two new Executive Board roles: the role of Chief Operating Officer (responsibilities to include some of which were formerly within the Chief Financial Officer function) and the role of Chief Compliance and Regulatory Affairs Officer (responsibilities to include some of which were formerly integrated within the General Counsel function);
– The Extraordinary General Meeting (EGM) held on November 19, 2015, at which shareholders approved two capital raises resulting in combined gross proceeds of CHF 6 billion;
– The implementation of binding votes on compensation for the Board of Directors (Board) and the Executive Board at the 2015 Annual General Meeting (AGM) held on April 24, 2015, in compliance with the Swiss Ordinance Against Excessive Compensation with respect to Listed Corporations (Compensation Ordinance); shareholders approved the compensation of the Board and Executive Board at the AGM;
– The election of new Board member Seraina Maag at the 2015 AGM; with the election of Ms. Maag, three of the Group's twelve Board members are female;
– The launch of a new Board advisory committee, the Innovation & Technology Committee, to advise on and further the Group's ambitions to promote innovation and successfully leverage technological change;
– A change to the tenure limits for members of the Board to 12 years of service, from the previous tenure limit of 15 years; and
– Further progress on the implementation of the Group's legal entity governance structure, including the formal incorporation of Credit Suisse (Schweiz) AG and the appointment of a newly constituted board for Credit Suisse Holdings (USA), Inc., the company which will serve as the Group's intermediate holding company in the US, in line with regulatory requirements; the board now includes several non-executive board members and is chaired by Group Board member Richard E. Thornburgh.

> Refer to "Evolution of legal entity structure" in II – Operating and financial review – Credit Suisse for further information on our legal entity structure.

We regularly monitor developments in corporate governance guidelines, regulations and best practice standards in all jurisdictions relevant to our business operations. A key development during 2015 was the revised guidance of the >>>Basel Committee on Banking Supervision (BCBS) on the corporate governance principles for banks. The revised guidance emphasizes the importance of sound corporate governance and reinforces the collective oversight and risk governance responsibilities of the board of directors.

> Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on risk governance.

Corporate Governance framework

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

– The General Meeting of Shareholders;
– The Board of Directors;

– The Executive Board; and
– The independent auditors.

The shareholders elect the members of the Board and the independent auditors on an annual basis and approve required resolutions at the AGM, such as the consolidated financial statements, capital increases and Board and Executive Board compensation. The Board is responsible for the overall strategic direction, supervision and control of the Group and appoints the Executive Board. The Executive Board is responsible for the day-to-day operational management of the Group's business and for developing and implementing business plans. The Group is engaged in the banking business and is structured into five business divisions – Swiss Universal Bank; International Wealth Management; Asia Pacific; Global Markets; and Investment Banking & Capital Markets – as well as the Strategic Resolution Unit. The divisions are supported

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by corporate functions that provide infrastructure and services and have internal control responsibilities.

The Group's banking business is carried out through its legal entities, which are operational in various jurisdictions and subject to the governance rules and supervision of the regulators in those jurisdictions.

The corporate governance framework is depicted in the chart below. The duties and responsibilities of the governing bodies are described in further detail in the sections below.

The Group's corporate governance policies and procedures, adopted by the Board, are defined in a series of documents, all of which are available on our website at *www.credit-suisse.com/governance*, and include:

– Articles of Association (AoA): define the purpose of the business, the capital structure and the basic organizational framework. The AoA of Credit Suisse Group AG (Group) are dated December 2, 2015, and the AoA of Credit Suisse AG (Bank) are dated September 4, 2014.

– Code of Conduct: defines the Group's ethical values and professional standards that the Board and all employees are required to follow, including adherence to all relevant laws, regulations and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking. The Code of Conduct also implements requirements stipulated under the US Sarbanes-Oxley Act of 2002 (SOX) by including provisions on ethics for our CEO and our principal financial and accounting officers and other persons performing similar functions. No waivers or exceptions are permissible under our Code of Conduct. Our Code of Conduct is available on our website at *www.credit-suisse.com/code* in ten languages.

– Organizational Guidelines and Regulations (OGR): define the organizational structure of the Group and the responsibilities and sphere of authority of the Board, its committees and the various senior management bodies within the Group, as well as the relevant reporting procedures.

– Board charter: outlines the organization and responsibilities of the Board. The Board charter is available on our website at: *www.credit-suisse.com/boardcharter*.

– Board committee charters: define the organization and responsibilities of the committees.

– Compensation policy: provides a foundation for the development of sound compensation plans and practices.

The summaries herein of the material provisions of our AoA and the Swiss Code of Obligations do not purport to be complete and are qualified in their entirety by reference to the Swiss Code of Obligations and the AoA. The Group's and the Bank's AoAs are available on our website at *www.credit-suisse.com/articles*.

Credit Suisse Group AG and Credit Suisse AG are registered companies in Switzerland. The Group's shares are listed on the Swiss Exchange (SIX) stock exchange and – in the form of >>>American Depositary Shares (ADS) – on the New York Stock Exchange (NYSE). The business purpose of the Group, as set forth in Article 2 of its AoA, is to hold direct or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The business purpose of the Bank, as set forth in Article 2 of its AoA, is to operate as a bank, with all related banking, finance, consultancy, service and trading activities in Switzerland and abroad. The AoA of the Group and the Bank set forth their powers to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing and to acquire, mortgage and sell real estate properties both in Switzerland and abroad. These and other company details are shown in the table below.

Company details

	Group	Bank
Legal name	Credit Suisse Group AG	Credit Suisse AG
Business purpose	Operate as a holding company	Operate as a bank
Registration details	Commercial register of the Canton of Zurich as of March 3, 1982; No. CHE-105.884.494	Commercial register of the Canton of Zurich as of April 27, 1883; No. CHE-106.831.974
Date incorporated, with unlimited duration	March 3, 1982	July 5, 1856
Registered office	Paradeplatz 8 8001 Zurich Switzerland	Paradeplatz 8 8001 Zurich Switzerland
Equity listing	Swiss Exchange (SIX) SIX number 1213853 NYSE in the form of ADS	–
Authorized representative in the US	Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010	Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010

> Refer to "II – Operating and financial review" for a detailed review of our operating results.

> Refer to "Note 40 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for a list of significant subsidiaries and associated entities.

Code of Conduct

At Credit Suisse, we are convinced that our responsible approach to business is a decisive factor determining our long-term success. We therefore expect all of our employees and members of the Board to observe the professional standards and ethical values set out in our Code of Conduct, including our commitment to complying with all applicable laws, regulations and policies in order to safeguard our reputation for integrity, fair dealing and measured risk-taking.

> Refer to "www.credit-suisse.com/code" for our Code of Conduct.

Corporate Responsibility

A responsible approach to business is a key factor determining our long-term success. For Credit Suisse, corporate responsibility is about creating sustainable value for clients, shareholders, employees and other stakeholders. We strive to assume these responsibilities and to comply with the ethical values and professional standards set out in our Code of Conduct in every aspect of our work, including in our relationship with stakeholders. Our approach is based on a broad understanding of our duties as a financial services provider and employer and as an integral part of the economy and society. This approach also reflects our commitment to protecting the environment. To ensure that we supply the full breadth of information required by our stakeholders, we publish a Corporate Responsibility Report each year.

> Refer to "www.credit-suisse.com/responsibility" for our Corporate Responsibly Report.

Shareholders

Capital structure

Our total issued share capital as of December 31, 2015 was CHF 78,295,170 divided into 1,957,379,244 shares, with a nominal value of CHF 0.04 per share. On November 19, 2015, the Group held an EGM, at which shareholders approved two capital increases: a first capital increase by way of a private placement of newly issued shares to a number of qualified investors; and a second capital increase by way of a rights offering. The capital increases together resulted in 318,983,898 newly issued shares and gross proceeds of CHF 6.0 billion.

> Refer to "Note 16 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VI – Parent company financial statements – Credit Suisse Group and our AoA (Articles 26, 26b-c and 27) for information on changes to our capital structure during the year.

Shareholder base

We have a broad shareholder base, with the majority of shares owned directly or indirectly by institutional investors outside Switzerland. As of December 31, 2015, 112,938 shareholders were registered in our share register with 1,145,776,989 shares, representing 59% of the total shares issued. The remaining 41% of shares are not registered in our share register. As of December 31, 2015, 47.8 million or 2.44%, of the issued shares were in the form of >>>ADS. The information provided in the following tables reflects the distribution of Group shares as registered in our share register as of December 31, 2015.

Distribution of Group shares

end of				2015				2014
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Distribution of Group shares								
Private investors	109,269	97	130,897,618	7	114,934	97	116,681,122	7
of which Switzerland	99,598	88	115,974,393	6	104,750	88	103,656,285	6
of which foreign	9,671	9	14,923,225	1	10,184	9	13,024,837	1
Institutional investors	3,669	3	1,014,879,371	52	3,825	3	865,210,954	54
of which Switzerland	3,160	3	208,903,959	11	3,332	3	156,025,204	10
of which foreign [1]	509	0	805,975,412	41	493	0	709,185,750	44
Shares registered in share register	**112,938**	100	**1,145,776,989**	59	**118,759**	100	**981,892,076**	61
of which Switzerland	102,758	91	324,878,352	17	108,082	91	259,681,489	16
of which Europe	9,169	8	552,781,065	28	9,664	8	494,318,812	31
of which US [1]	173	0	244,415,078	12[1]	151	0	205,229,688	13
of which other	838	1	23,702,494	1	862	1	22,662,087	1
Shares not registered in share register	**–**	–	**811,602,255**	41	**–**	–	**625,276,871**	39
Total shares issued	**–**	–	**1,957,379,244**	100	**–**	–	**1,607,168,947**	100

1
Includes shares issued in the form of ADS.

Distribution of institutional investors in share register by industry

end of				2015				2014
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Institutional investors by industry								
Banks	25	0	1,547,448	0	28	0	1,560,911	0
Insurance companies	93	0	10,273,200	1	100	0	7,475,049	0
Pension funds	568	1	46,680,254	2	602	1	39,265,226	2

Investment trusts	399	0	161,850,174	8	353	0	119,401,124	7
Other trusts	646	1	6,883,152	0	671	1	5,920,253	0
Governmental institutions	34	0	636,040	0	32	0	7,176,248	0
Other [1]	1,755	2	121,339,051	6	1,880	2	103,333,438	6
Direct entries	**3,520**	3	**349,209,319**	18	**3,666**	3	**284,132,249**	18
Fiduciary holdings	**149**	0	**665,670,052**	34	**159**	0	**581,078,705**	36
Total institutional investors	**3,669**	3	**1,014,879,371**	52	**3,825**	3	**865,210,954**	54

Rounding differences may occur.

1

Includes various other institutional investors for which a breakdown by industry type was not available.

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Through the use of an external global market intelligence firm, we regularly gather additional information on the composition of our shareholder base including information on shares that are not registered in the share register. According to this data, our shareholder base as of December 31, 2015 was comprised of over 80% institutional investors, with almost half in North America. The distribution of Group shareholdings by investor type and region is shown as follows:

Shareholder engagement

The Group engages regularly with its shareholders and proxy advisors. The purpose of such engagements is to understand the perspectives of its shareholders, exchange views about the Group's strategy, financial performance, corporate governance and compensation and other matters of importance to the Group or its shareholders. Shareholder engagement meetings may be attended by the Chairman, the Compensation Committee Chairman, the CEO, CFO and other members of the Board or senior management. The responsibility for shareholder engagement is with our Investor Relations department. The Group aims to ensure that all shareholders receive the relevant information they need to keep abreast of current Group developments and make informed decisions.

Information policy

We are committed to an open and fair information policy with our shareholders and other stakeholders. Our Investor Relations and Corporate Communications departments are responsible for inquiries. All Group shareholders registered in our share register receive an invitation to our AGM, including an order form to receive the annual report and other reports. Each registered shareholder also receives a quarterly shareholders' letter and may elect to receive the quarterly reports on our financial performance. All of these reports and other information can be accessed on our website at *www.credit-suisse.com/investors*.

Notices

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules of the SIX will either be published in two Swiss newspapers in German and French and sent to the SIX or otherwise communicated to the SIX in accordance with applicable listing rules. The SIX may disseminate the relevant information.

Significant shareholders

Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX is required to notify the company and the SIX if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33 1⁄3%, 50% or 66 2⁄3% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised (that is, notifications must also include certain derivative holdings such as options or similar instruments). Following receipt of such notification, the company has an obligation to inform the public. In addition, pursuant to the Swiss Code of Obligations, a company must disclose in the notes to their annual consolidated financial statements the identity of any shareholders who own in excess of 5% of their shares. The following provides an overview of the holdings of shares of our significant shareholders, including any rights to purchase or dispose of shares, based on the most recent disclosure notifications. In line with the SESTA requirements, the percentages indicated below were calculated in relation to the share capital reflected in the AoA at the time of the disclosure notification. The full text of all notifications can be found on our website at *www.credit-suisse.com/shareholders*. Each share entitles the holder to one vote.

> Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information on significant shareholders.

The Group also holds positions in its own shares, which are subject to the same disclosure requirements as significant external shareholders. These positions fluctuate and primarily reflect market making, facilitating client orders and satisfying the obligations under our employee compensation plans. Shares held by the Group have no voting rights. As of December 31, 2015, our holdings amounted to 3.06% purchase positions (0.71% registered shares and 2.35% share acquisition rights) and 26.19% sales positions (disposal rights).

Cross shareholdings

The Group has no cross shareholdings in excess of 5% of capital or voting rights with any other company.

Significant shareholders

	Group publication of notification	Number of shares (million)	Approximate shareholding %[1]	Purchase rights %
December 31, 2015 or the most recent notification date				
Norges Bank	February 12, 2016	98.5	5.03	–
Qatar Investment Authority (registered entity – Qatar Holding LLC)	December 10, 2015	97.5	4.98	13.59[2]
The Olayan Group (registered entity – Crescent Holding GmbH)	December 2, 2015	84.0	4.95	6.40[3]
Harris Associates L.P.	November 9, 2013[4]	81.5	5.17	–
Franklin Resources, Inc.	February 25, 2016	69.0	3.52	–
Dodge & Cox	December 19, 2012[5]	63.5	4.96	–
Capital Group Companies, Inc.	April 21, 2015	48.4	3.01	–
BlackRock Inc.	January 25, 2013	38.6	3.01	–
December 31, 2014 or the most recent notification date				
The Olayan Group (registered entity – Crescent Holding GmbH)	April 6, 2013	88.5	6.70	7.99
Qatar Investment Authority (registered entity – Qatar Holding LLC)	October 31, 2013	82.0	5.20	16.53
Harris Associates L.P.	November 9, 2013	81.5	5.17	–
Norges Bank	June 19, 2014	80.0	5.01	–
Franklin Resources, Inc.	February 25, 2015	67.5	4.20	–
Dodge & Cox	December 19, 2012	63.5	4.96	–
Capital Group Companies, Inc.	January 14, 2015	47.8	2.98	–
BlackRock Inc.	January 25, 2013	38.6	3.01	–
December 31, 2013 or the most recent notification date				
The Olayan Group (registered entity – Crescent Holding GmbH)	April 6, 2013	88.5	6.70	7.99
Qatar Investment Authority (registered entity – Qatar Holding LLC)	October 31, 2013	82.0	5.20	16.53
Harris Associates L.P.	November 9, 2013	81.5	5.17	–
Dodge & Cox	December 19, 2012	63.5	4.96	–
Franklin Resources, Inc.		57.6	3.61	–

	March 12, 2014			
Norges Bank	April 5, 2013	39.8	3.01	1.64
Capital Group Companies, Inc.	January 22, 2013	39.4	3.07	0.96
BlackRock Inc.	January 25, 2013	38.6	3.01	–

1
The approximate shareholding percentages were calculated in relation to the share capital at the time of the relevant disclosure notification. They therefore do not reflect changes in such percentages that would result from changes in the number of outstanding shares following the date of the disclosure notification, such as the issuance of 318,983,898 new shares in connection with the 2015 capital increases.

2
Consists of 13.59% purchase rights relating to Qatar Holding LLC's holdings of USD 1.72 billion 9.5% tier 1 capital instruments and CHF 2.5 billion 9.0% tier 1 capital instruments (perpetual security with mandatory contingent conversion into shares), which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements.

3
Consists of 6.34% purchase rights relating to The Olayan Group's holdings of USD 1.725 billion 9.5% tier 1 capital instruments (perpetual security with mandatory contingent conversion into shares), which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 0.06% from short put options.

4
Harris Associates L.P.'s position includes the reportable position (4.21% shareholding) of Harris Associates Investment Trust, which is managed by Harris Associates L.P., as published by the SIX on November 26, 2014.

5
Dodge & Cox's position includes the reportable position (3.03% shareholding) of Dodge & Cox International Stock Fund, which is managed by Dodge & Cox, as published by the SIX on June 11, 2014.

Shareholder rights

We are fully committed to the principle of equal treatment of all shareholders. The following information summarizes certain shareholder rights at the Group.

Voting rights and transfer of shares

There is no limitation under Swiss law or the AoA on the right to own Group shares.

In principle, each share represents one vote at the AGM. Shares held by the Group have no voting rights. Shares for which a single shareholder or shareholder group can exercise voting rights may not exceed 2% of the total outstanding share capital, unless one of the exemptions discussed below applies. The restrictions on voting rights do not apply to:

– the exercise of voting rights by the independent proxy as elected by the AGM;

– shares in respect of which the shareholder confirms to us that the shareholder has acquired the shares in the shareholder's name for the shareholder's own account and in respect of which the disclosure requirements in accordance with the SESTA and the relevant ordinances and regulations have been fulfilled; or
– shares that are registered in the name of a nominee, provided that this nominee is willing to furnish us on request the name, address and shareholding of the person(s) for whose account the nominee holds 0.5% or more of the total share capital and confirms to us that any applicable disclosure requirements under the SESTA have been fulfilled.

To execute voting rights, shares need to be registered in the share register directly or in the name of a nominee. In order to be registered in the share register, the purchaser must file a share registration form with the depository bank. The registration of shares in the share register may be requested at any time. Failing such registration, the purchaser may not vote or participate in shareholders' meetings. However, each shareholder, whether registered in the share register or not, receives dividends or other distributions approved at the AGM. Transfer restrictions apply regardless of the way and the form in which the registered shares are kept in the accounts and regardless of the provisions applicable to transfers. The transfer of intermediated securities based on Group shares, and the pledging of these intermediated securities as collateral, is based on the provisions of the Swiss Federal Intermediated Securities Act. Transfer or pledging as collateral by means of written assignment are not permitted.

Annual General Meeting

We encourage shareholders to participate at our AGM. Under Swiss law, the AGM must be held within six months of the end of the fiscal year. Notice of an AGM, including agenda items and proposals submitted by the Board and by shareholders, must be published in the Swiss Official Gazette of Commerce at least 20 days prior to the AGM. Shares only qualify for voting at an AGM if they are registered in the share register with voting rights no later than three days prior to the AGM.

Convocation of shareholder meetings

The AGM is convened by the Board or, if necessary, by the statutory auditors, with 20 days' prior notice. The Board is further required to convene an EGM if so resolved at a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of the nominal share capital. The request to call an EGM must be submitted in writing to the Board, and, at the same time, Group shares representing at least 10% of the nominal share capital must be deposited for safekeeping. The shares remain in safekeeping until the day after the EGM.

Request to place an item on the agenda

Shareholders holding shares with an aggregate nominal value of at least CHF 40,000 have the right to request that a specific item be placed on the agenda and voted upon at the AGM. The request to include a particular item on the agenda, together with a relevant proposal, must be submitted in writing to the Board no later than 45 days before the meeting and, at the same time, Group shares with an aggregate nominal value of at least CHF 40,000 must be deposited for safekeeping. The shares remain in safekeeping until the day after the AGM.

Quorum requirements

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy, except as discussed below. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:
– amendments to the AoA, unless a supermajority is required;
– election of members of the Board, the Chairman of the Board (Chairman), the members of the Compensation Committee, the independent proxy and statutory auditors;
– approval of the compensation of the members of the Board and the Executive Board;
– approval of the annual report and the statutory and consolidated accounts;
– discharge of the acts of the members of the Board and Executive Board; and
– determination of the appropriation of retained earnings.

A quorum of at least two-thirds of the votes represented is required for resolutions on:
– change of the purpose of the company;
– creation of shares with increased voting powers;
– implementation of transfer restrictions on shares;
– increase in conditional and authorized capital;

– increase of capital by way of conversion of capital surplus or by contribution in kind;
– restriction or suspension of pre-emptive rights;
– change of location of the principal office; and
– dissolution of the company without liquidation.

A quorum of at least half of the total share capital and approval by at least three-quarters of the votes represented is required for resolutions on:

– the conversion of registered shares into bearer shares;
– amendments to the AoA relating to registration and voting rights of nominee holders; and
– the dissolution of the company.

A quorum of at least half of the total share capital and the approval of at least seven-eighths of the votes cast is required for amendments to provisions of the AoA relating to voting rights.

Say on pay

In accordance with the Swiss Code of Best Practice for Corporate Governance, the Group submitted the compensation report (contained in the Corporate Governance and Compensation section of the Annual Report) for a consultative vote by shareholders at the 2015 AGM. In accordance with the Compensation Ordinance, the Group will submit the following Board and Executive Board compensation recommendations for binding votes by shareholders at the 2016 AGM:

– For the Board: a maximum aggregate amount of compensation to be paid to members of the Board for the period from the 2016 to the 2017 AGM;

– For the Executive Board: an aggregate amount of variable compensation in the form of short-term incentive awards to be awarded to Executive Board members for the 2015 financial year;

– For the Executive Board: a maximum aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2016 to the 2017 AGM; and

– For the Executive Board: a maximum aggregate amount of variable compensation in the form of long-term incentive awards to be granted to Executive Board members for the 2016 financial year.

In line with current practice, the Group will continue to submit the compensation report for a consultative vote by shareholders.

> Refer to “Board compensation proposed for approval at the 2016 AGM” and “Executive Board compensation proposed for approval at the 2016 AGM” in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, for further information on the binding vote.

Discharge of the acts of the Board and the Executive Board

According to Swiss law, the AGM has the power to discharge the actions of the members of the Board and the Executive Board. The 2015 AGM granted discharge to the members of the Board and the Executive Board for the 2014 financial year.

Pre-emptive rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or no consideration, is subject to the prior approval of the shareholders. Shareholders of a Swiss corporation have certain pre-emptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. A resolution adopted at a shareholders’ meeting with a supermajority may, however, limit or suspend pre-emptive rights in certain limited circumstances.

Duty to make an offer

Swiss law provides that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company, unless the AoA of the company provides otherwise. Our AoA does not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or the >>>Swiss Financial Market Supervisory Authority FINMA (FINMA). If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the SESTA and the implementing ordinances.

Clauses on changes in control

To the best of our knowledge, there are no agreements in place that could lead to a change in control of the Group. Subject to certain provisions in the Group’s employee compensation plans, which allow for the Compensation Committee or Board to determine the treatment of outstanding awards for all employees, including the Executive Board members, in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the agreements and plans benefiting members of the Board and the Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change in control of the Group.

> Refer to “Contract lengths, termination and change in control provision” in Compensation – Executive Board compensation for further information on the clauses on changes in control.

Borrowing and raising funds

Neither Swiss law nor our AoA restrict our power to borrow and raise funds in any way. The decision to borrow funds is passed by or under the direction of our Board, with no shareholders’ resolution required.

Liquidation

Under Swiss law and our AoA, the Group may be dissolved at any time by a shareholders' resolution which must be passed by:

– a supermajority of at least three-quarters of the votes cast at the meeting in the event the Group were to be dissolved by way of liquidation; and

– a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other cases.

Dissolution by court order is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

Board of Directors

Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 12 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. Board members are elected at the AGM by our shareholders individually for a period of one year and are eligible for re-election. Shareholders will also elect a member of the Board as the Chairman and each of the members of the Compensation Committee for a period of one year. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Members of the Board shall generally retire after having served on the Board for 12 years (previously 15 years).

An overview of the Board and the committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

Members of the Board and Board committees

	Board member since	Independence	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
December 31, 2015						
Urs Rohner, Chairman	2009	Independent	Chairman	–	–	–
Jassim Bin Hamad J.J. Al Thani	2010	Not independent	–	–	–	–
Iris Bohnet	2012	Independent	–	–	Member	–
Noreen Doyle, Vice-Chair, Lead Independent Director	2004	Independent	Member	Member	–	–
Andreas N. Koopmann	2009	Independent	–	–	Member	Member
Jean Lanier	2005	Independent	Member		Chairman	–
Seraina Maag	2015	Independent	–	Member	–	–
Kai S. Nargolwala	2013	Independent	–	–	Member	Member
Severin Schwan	2014	Independent	–	–	–	Member
Richard E. Thornburgh, Vice-Chair	2006	Independent	Member	Member	–	Chairman
Sebastian Thrun	2014	Independent	–	–	–	Member
John Tiner	2009	Independent	Member	Chairman	–	Member

Board changes

Jean-Daniel Gerber and Anton van Rossum stepped down from the Board at the 2015 AGM and Seraina Maag was elected as a new member of the Board. At the 2016 AGM on April 29, 2016, Sebastian Thrun will not stand for re-election to the Board. Mr. Thrun has been appointed as a senior advisor to the newly established fintech innovation factory “Credit Suisse Labs” and will continue to chair the new Innovation & Technology Committee. The Board proposes that all other current members of the Board be re-elected to the Board at the 2016 AGM, proposes the re-election of Urs Rohner as Chairman and proposes Iris Bohnet, Andreas N. Koopmann, Jean Lanier and Kai S. Nargolwala as members of the Compensation Committee. The Board also proposes the election of Alexander Gut and Joaquin J. Ribeiro to the Board. Mr. Gut is the managing partner at his own corporate finance advisory firm and a director at several Swiss companies. Mr. Ribeiro is currently the vice-chairman of Deloitte LLP (USA) and chairman of Deloitte’s Global Financial Services Industry practice.

Board composition and succession planning

The Chairman’s and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman’s and Governance Committee recruits and evaluates candidates for Board membership based on criteria as set forth by the OGR. The Chairman’s and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman’s and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the

Chairman’s and Governance Committee takes into account independence, diversity, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman’s and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group.

> Refer to “Mandates” for further information.

The background, skills and experience of our Board members are diverse and broad and include holding top management positions at financial services and industrial companies in Switzerland and abroad or having held leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

To maintain a high degree of diversity and independence in the future, we have a succession planning process in place to identify potential candidates for the Board at an early stage. With this, we are well prepared when Board members rotate off the Board. Besides more formal criteria consistent with legal and regulatory requirements and the Swiss Code of Best Practice for Corporate Governance, we believe that other aspects including team dynamics and personal reputation of Board members play a critical role in ensuring the effective functioning of the Board. This is why we place the utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

New members

Any newly appointed member is required to participate in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters relating to the governance of the Group. The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask a specialist within the Group to speak about a specific topic to enhance the Board members' understanding of issues that already are, or may become, of particular importance to our business.

Meetings

In 2015, the Board held six meetings in person and four additional meetings. In addition, the Board held a two-day strategy session.

All members of the Board are expected to spend the necessary time outside of these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management present. Minutes are kept of the proceedings and resolutions of the Board.

From time to time, the Board may take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

Meeting attendance

in 2015	Board of Directors[1]	Chairman's and Governance Committee[2]	Audit Committee[3]	Compensation Committee[4]	Risk Committee[5]
Total number of meetings held	10	22	18	14	6
Number of members who missed no meetings	10	4	3	2	6
Number of members who missed one meeting	2	1	2	1	1
Number of members who missed two or more meetings	1	0	1	1	0
Meeting attendance, in %	93	98	92	95	97

1
The Board consisted of 13 and 12 members as of the beginning of the year and the end of the year, respectively, with 1 member joining the Board and 2 members leaving the Board as of the 2015 AGM.

2
The Chairman's and Governance Committee consisted of five members as of the beginning and the end of the year. Meeting attendance was approximated in this case, due to some meetings of the Chairman's and Governance Committee being called on an ad hoc basis, for which no attendance was taken.

3
The Audit Committee consisted of five members as of the beginning of the year and four members at the end of the year.

4
The Compensation Committee consisted of four members as of the beginning and the end of the year.

5
The Risk Committee consisted of seven members as of the beginning of the year and six members at the end of the year.

Mandates

Our Board members and Executive Board members may assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. The Compensation Ordinance sets out that companies must include provisions in their articles of association to define the activities that fall within the scope of a mandate and set limits on the number of mandates that board members and executive management may hold. According to the Group’s AoA, mandates include activities in the most senior executive and management bodies of listed companies and all other legal entities that are obliged to obtain an entry in the Swiss commercial register or a corresponding foreign register.

Board mandates are limited as follows:

– Each member of the Board may assume no more than four other mandates in listed companies; and
– Each member of the Board may assume no more than five mandates in other legal entities, including private non-listed companies.

Executive Board mandates are limited as follows:

– Each member of the Executive Board may assume no more than one other mandate in a listed company; and
– Each member of the Executive Board may assume no more than two other mandates in other legal entities.

The following mandates are exempt from this restriction:

– mandates in legal entities controlled by the Group, such as subsidiary boards;
– mandates in legal entities that are exercised on behalf of the Group, such as business and industry associations; and
– honorary mandates in charitable legal entities.

Board and Executive Board members are each permitted to exercise a maximum of ten mandates on behalf of the Group and a maximum of ten honorary mandates in charitable legal entities.

No Board or Executive Board member holds mandates in excess of the restrictions described above.

> Refer to "Audit Committee" in Board committees for further information on limits on Audit Committee service.

Independence

The Board consists solely of non-executive directors within the Group, of which at least the majority must be determined to be independent. In its independence determination, the Board takes into account the factors set forth in the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member.

The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance, >>>FINMA and the rules of the NYSE and Nasdaq in determining the definition of independence. In general, a director is considered independent if the director:

– is not, and has not been for the prior three years, employed as an executive officer of the Group or any of its subsidiaries;

– is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and

– does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:
– the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
– the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;
– whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
– whether the transactions are performed in the ordinary course of business; and
– whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group’s share capital. Board members with immediate family members who would not qualify as independent are also not considered independent.

Board members serving on the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees.

For Board members serving on the Compensation Committee, the independence determination considers all factors relevant to determining whether a director has a relationship with the Group that is material to that director’s ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:
– the source of any compensation of the Compensation Committee member, including any consulting, advisory or other compensatory fees paid by the Group to such director; and
– whether the Compensation Committee member is affiliated with the Group, any of its subsidiaries or any affiliates of any of its subsidiaries.

While the Group is not subject to such standards, the Board acknowledges that some proxy advisors apply different standards for assessing the independence of our Board members, including the length of tenure a Board member has served, annual compensation levels of Board members within a comparable range to executive pay or a Board member’s former executive status further back than three years.

Independence determination

As of December 31, 2015, 11 members of the Board were determined by the Board to be independent.

At the time of his election to the Board in 2010, Mr. Bin Hamad J.J. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined that these various business relationships could constitute a material business relationship.

Board leadership

Chairman of the Board

The Chairman is a non-executive member of the Board, in accordance with Swiss banking law, and performs his role on a full-time basis, in line with the practice expected by FINMA, our main regulator. The Chairman:
– coordinates the work within the Board;
– works with the committee chairmen to coordinate the tasks of the committees;
– ensures that the Board members are provided with the information relevant for performing their duties;
– drives the Board agenda;
– drives key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, corporate governance, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board;
– chairs the Board, the Chairman’s and Governance Committee and the Shareholder Meetings;

– takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other stakeholders;
– has no executive function within the Group;
– with the exception of the Chairman's and Governance Committee, is not a member of any of the Board's standing committees; and
– may attend all or parts of selected committee meetings as a guest without voting power.

Vice-Chair

The Vice-Chair:

– is a member of the Board;
– is a designated deputy to the Chairman;
– assists the Chairman by providing support and advice to the Chairman, assuming the Chairman's role in the event of the Chairman's absence or indisposition and leading the Board accordingly; and
– there may be one or more Vice-Chairs.

As of the date of the 2014 AGM, Noreen Doyle and Richard E. Thornburgh were appointed as Vice-Chairs.

Lead Independent Director

According to the Group's OGR, the Board may appoint a Lead Independent Director. If the Chairman is determined not to be independent by the Board, the Board must appoint a Lead Independent Director. The Lead Independent Director:

– may convene meetings without the Chairman being present;
– takes a leading role among the Board members, particularly when issues between a non-independent Chairman and the independent Board members arise (for example, when the non-independent Chairman has a conflict of interest);
– leads the Board's annual assessment of the Chairman; and
– ensures that the work of the Board and Board-related processes continue to run smoothly.

As of the date of the 2014 AGM, Noreen Doyle was appointed as the Lead Independent Director.

Segregation of duties

In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman (non-executive) and the CEO (executive) are separate and carried out by two different people.

Board responsibilities

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

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

– regularly assesses our competitive position and approves our strategic and financial plans;
– receives a status report at each ordinary meeting on our financial results, capital, funding and liquidity situation;
– receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios;
– is provided by management with regular updates on key issues and significant events, as deemed appropriate or requested;
– has access to all information concerning the Group in order to appropriately discharge its responsibilities;
– reviews and approves significant changes in our structure and organization;
– is actively involved in significant projects including acquisitions, divestitures, investments and other major projects; and
– along with its committees, is entitled, without consulting with management and at the Group's expense, to engage external legal, financial or other advisors, as they deem appropriate, with respect to any matters within its authority.

Governance of Group subsidiaries

The Board assumes oversight responsibility for establishing appropriate governance for Group subsidiaries. The governance of the Group is based on the principles of an integrated oversight and management structure with global scope. The Group sets corporate governance standards to allow for an efficient and harmonized steering of the Group. In accordance with the OGR, the Board appoints or dismisses the chairperson and the members of the board of directors of the major subsidiaries of the Group and approves their compensation. A policy naming the subsidiaries in scope and providing guidelines for the nomination and compensation process is reviewed by the Board on an annual basis. The governance of the major subsidiaries, subject to compliance with all applicable local laws and regulations, should be consistent with the corporate governance principles of the Group, as reflected in the OGR and other

corporate governance documents. Directors and officers of the Group and its major subsidiaries are committed to ensuring transparency and collaboration throughout the Group.

Board evaluation

The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board’s objectives and determines future objectives, including any special focus objectives for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process.

Board committees

The Board has four standing committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee as well as one advisory committee, the Innovation & Technology Committee, which is currently being established. Except for the Compensation Committee members who are elected by the shareholders on an annual basis, the committee members are appointed by the Board for a term of one year.

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

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

Chairman's and Governance Committee

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairs and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee currently consists of five members, all of whom are independent.

The Chairman's and Governance Committee generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance Committee:

– acts as an advisor to the Chairman and supports him in the preparation of the Board meetings;
– is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval;
– at least once annually, evaluates the independence of the Board members and reports its findings to the Board for final determination;
– is responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations;
– guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board;
– proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board; and
– reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

2015 activities

During 2015, the activities of the Chairman's and Governance Committee were particularly focused on the CEO succession process and facilitating a smooth transition from former CEO Brady Dougan to the new CEO Tidjane Thiam. The Chairman's and Governance Committee provided guidance to and supported the Chairman in setting the priorities for the Board's annual strategy session in 2015. Furthermore, the Chairman's and Governance Committee initiated some changes with respect to the corporate governance for the Group's main subsidiaries, including recommending that Board member Richard E. Thornburgh serve as the non-executive chair of Credit Suisse Holdings (USA) Inc. The Chairman's and Governance Committee also assessed potential new Board Member candidates during 2015 and recommended that Alexander Gut and Joaquin J. Ribeiro be proposed as new Board Members for election at the 2016 AGM.

Audit Committee

The Audit Committee consists of at least three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee currently consists of four members, all of whom are independent.

The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

Furthermore, the US Securities and Exchange Commission (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head

of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

– monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;

– monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;

– monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;

– monitoring the adequacy of the management of operational risks jointly with the Risk Committee, including assessing the

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effectiveness of internal controls that go beyond the area of financial reporting;
– monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
– monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.
The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services. For this purpose, it has developed and approved a policy that is designed to help ensure that the independence of the external auditor is maintained at all times. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The external auditor is required to report periodically to the Audit Committee about the scope of the services it has provided and the fees for the services it has performed to date. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis.
2015 activities
In addition to its regular review of the quarterly and annual financial results and related accounting and reporting matters, the Audit Committee focused on a number of other topics during 2015. These included monitoring progress on key compliance and internal control topics, such as our US compliance program, global client tax compliance programs, control measures implemented to reduce unauthorized trading risk and the processes in place for addressing disciplinary issues. The Audit Committee also received a detailed briefing by management on the litigation provisioning process. Two key areas that the Audit Committee reviewed jointly with the Risk Committee in 2015 were the implementation of the Group’s Operational Risk framework and the effectiveness of the programs in place to address IT security threats, including cyber security readiness. The Audit Committee was updated regularly by the Head of Internal Audit on key audit findings and held a dedicated workshop with the Internal Audit senior leadership team in order to engage with Internal Audit in a more in-depth manner about their risk assessments for the organization and emerging risk and control themes. In the fourth quarter of 2015, the Audit Committee particularly focused on changes to the Group’s financial reporting structure and consequences resulting from the new strategy, as well as the set-up and priorities for the newly established Compliance and Regulatory Affairs function.
Compensation Committee
The Compensation Committee consists of at least three members of the Board, all of whom must be independent. Our Compensation Committee currently consists of four members, all of whom are independent.
Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The meetings are attended by management representatives, as appropriate.
The Compensation Committee’s duties and responsibilities include:
– reviewing the Group’s compensation policy;
– establishing new compensation plans or amending existing plans and recommending them to the Board for approval;
– reviewing the performance of the businesses and the respective management teams and determining and/or recommending to the Board for approval the overall variable compensation pools;
– proposing individual compensation for the Board members to the Board;
– recommending to the Board a proposal for the CEO’s compensation;
– based on proposals by the CEO, discussing and recommending to the Board the Executive Board members’ compensation; and
– reviewing and recommending to the Board the compensation for individuals being considered for an Executive Board position.
In accordance with the Compensation Ordinance, all compensation proposals for members of the Board and the Executive Board are subject to AGM approval.
The Compensation Committee is authorized to retain outside advisors, at the Group’s expense, for the purpose of providing guidance to the Compensation Committee as it carries out its responsibilities. Prior to their appointment, the Compensation Committee conducts an independence assessment of the advisors pursuant to the rules of the SEC and

the listing standards of the NYSE and the Nasdaq.
2015 activities
In light of the changes in the Group's organizational and leadership structure, one of the main focus areas for the Compensation Committee during 2015 was reviewing the level and form of compensation for the Executive Board and recommending appropriate amendments to ensure alignment with the Group's new strategic direction. Another important topic for the Compensation Committee was the preparation for the binding shareholder votes on Board and Executive Board compensation, which were conducted for the first time at the 2015 AGM. The Compensation Committee also reviewed the involvement of the risk management function in the compensation process, in line with regulatory guidance. Other focus areas for the Compensation Committee in 2015 included regularly monitoring global regulatory and market trends with

respect to compensation at financial institutions and reviewing the approach for compensating employees subject to specific regulations, such as Capital Requirements Directive (CRD) IV. Furthermore, the Compensation Committee monitored the link between employee behavior and compensation levels, including any impact of employee misconduct on compensation and the application of clawback and malus provisions.
> Refer to "Compensation Committee" in Compensation – Group compensation for information on our compensation approach, principles and objectives and outside advisors.
Risk Committee
The Risk Committee consists of at least three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee currently consists of six members, all of whom are independent.
Pursuant to its charter, the Risk Committee holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.
The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits. The main duties and responsibilities of the Risk Committee include:
– reviewing and assessing the integrity and adequacy of the risk management function of the Group, in particular as it relates to market, credit and liquidity and funding risks;
– reviewing the adequacy of the Group's capital and its allocation to the Group's businesses;
– reviewing certain risk limits and regular risk reports and making recommendations to the Board;
– reviewing and assessing the Group's risk appetite framework;
– reviewing and assessing the adequacy of the management of reputational risks, jointly with the Audit Committee;
– reviewing and assessing the adequacy of the management of operational risks, including the adequacy of the internal control system jointly with the Audit Committee; and
– reviewing the Group's policy in respect of corporate responsibility and sustainable development.
The Risk Committee is regularly informed about major initiatives aimed at responding to regulatory change and further improving risk management across the Group, including organizational changes, changes to risk measurement methods and upgrades to risk systems infrastructure.
2015 activities
In addition to its regular review of the Group's risk framework and risk appetite, the Risk Committee conducted risk reviews during 2015 in a number of different business and risk management areas, including capital and liquidity risk management, model risk management and selected business reviews. The Risk Committee also reviewed changes being implemented in the Group's legal entity structure, including funding plans for subsidiaries and, jointly with the Audit Committee, the status of the supporting technology and operations infrastructure. Throughout 2015, the Risk Committee was regularly updated on the bank's risk infrastructure program and monitored progress towards complying with the Basel Committee on Banking Supervision 239 – Principles for effective risk data aggregation and risk reporting. Furthermore, the Risk Committee oversaw various regulatory change programs being implemented in line with regulatory expectations.
Innovation & Technology Committee
The Innovation & Technology Committee is a new Board advisory committee that is currently being established. In its advisory capacity, the Innovation & Technology Committee is to assist the Board in monitoring and promoting innovation. It further advises the Board with respect to leveraging technological change and innovative digital technologies as key drivers of business growth. The Innovation & Technology Committee may engage with management and external experts, as appropriate, about major innovation and technology-related initiatives. The Innovation & Technology Committee is chaired by Sebastian Thrun.

Biographies of the Board members

Urs Rohner
Born 1959
Swiss Citizen
Board member since 2009
Chairman of the Board

Professional history

2004–present	Credit Suisse
	Chairman of the Board and the Chairman's and Governance Committee (2011–present)
	Vice-Chair of the Board and member of the Chairman's and Governance Committee (2009–2011)
	Member of the Risk Committee (2009–2011)
	Chief Operating Officer (2006–2009)
	General Counsel (2004–2009)
	Member of the Executive Board (2004–2009)
2000–2004	ProSiebenSat.1 Media AG,
	Chairman of the Executive Board and CEO
1983–1999	Lenz & Staehelin
	Partner (1992–1999)
	Attorney (1983–1988; 1990–1992)
1988–1989	Sullivan & Cromwell LLP, New York, attorney

Education

1990	Admission to the bar of the State of New York
1986	Admission to the bar of the Canton of Zurich
1983	Master in Law (lic.iur.), University of Zurich, Switzerland

Other activities and functions

GlaxoSmithKline plc, board member
Swiss Bankers Association, governing board member
Swiss Finance Council, board member
Institute of International Finance, board member
European Banking Group, member
European Financial Services Roundtable, member
University of Zurich Department of Economics, chairman of the advisory board
Lucerne Festival, board of trustees member

Mr. Rohner also serves as a board, advisory board or board of trustees member in other Swiss and international organizations, including: Economiesuisse, Avenir Suisse, Alfred Escher Foundation, International Institute for Management Development (IMD), Swiss University Sports Foundation, Institute International d'Etudes Bancaire and the International Business Leaders Advisory Council of the Mayor of Beijing.

Jassim Bin Hamad J.J. Al Thani
Born 1982
Qatari Citizen
Board member since 2010

Professional history

2010–present	Credit Suisse
	Member of the Board
2004–present	Qatar Islamic Bank
	Chairman of the board (2005–present)
	Member of the board (2004–present)

1998–present	Al Mirqab Capital LLC CEO (2007–present) Member of senior management (1998–2007)
Education	
1998	Graduated as an Officer Cadet from the Royal Military Academy in England

Other activities and functions
Q-RE LLC, chairman
Damaan Islamic Insurance Co. (BEEMA), chairman
QInvest, chairman
Qatar Insurance Company, board member
Qatar Navigation (Milaha), board member

Iris Bohnet
Born 1966
Swiss Citizen
Board member since 2012

Professional history

2012–present	Credit Suisse
	Member of the Compensation Committee (2012–present)
1998–present	Harvard Kennedy School
	Director of the Women and Public Policy Program (2008–present)
	Professor of public policy (2006–present)
	Academic dean (2011–2014)
	Associate professor of public policy (2003–2006)
	Assistant professor of public policy (1998–2003)
1997–1998	Haas School of Business, University of California at Berkeley, visiting scholar
Education	
1997	Doctorate in Economics, University of Zurich, Switzerland
1992	Master’s degree in Economic History, Economics and Political Science, University of Zurich, Switzerland

Other activities and functions
Economic Dividends for Gender Equality (EDGE), advisory board member
Global Agenda Council on Behavior, member
University of Lucerne, board member
Negotiations Center, University of Texas at Dallas, board member
Decision Making and Negotiations Journal, advisory board member
Vienna University of Economics and Business Administration,
advisory board member

Noreen Doyle
Born 1949
Irish and US Citizen
Board member since 2004
Vice-Chair of the Board
Lead Independent Director

Professional history

2004–present	Credit Suisse
	Vice-Chair and Lead Independent Director of the Board (2014–present)
	Member of the Chairman’s and Governance Committee (2014–present)
	Member of the Audit Committee (2014–present; 2007–2009)
	Non-executive director of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries, 2011–present); chair of the boards (2013–present); and chair of the audit committees (2011–2012)
	Member of the Risk Committee (2009–2014; 2004–2007)
1992–2005	European Bank for Reconstruction and Development (EBRD)
	First vice president and head of banking (2001–2005)
	Deputy vice president finance and director of risk management (1997–2001)
	Chief credit officer and director of syndications (1994–1997)
	Head of syndications (1992–1994)
Prior to 1992	Bankers Trust Company, Houston, New York and London
	Managing director, European Structured Sales (1990–1992)
	Various positions at management level

Education

1974	MBA in Finance, Tuck at Dartmouth College, New Hampshire
1971	BA in Mathematics, The College of Mount Saint Vincent, New York

Other activities and functions

Newmont Mining Corporation, vice-chair
British Bankers' Association (BBA), chair
UK Panel on Takeovers and Mergers, member
Tuck European Advisory Board, member
Women in Banking and Finance in London, patron
Marymount International School, London, chair of the board of governors
Sarita Kenedy East Foundation, trustee

Andreas N. Koopmann
Born 1951
Swiss and French Citizen
Board member since 2009

Professional history

2009–present	Credit Suisse Member of the Compensation Committee (2013–present) Member of the Risk Committee (2009–present)
1982–2009	Bobst Group S.A., Lausanne Group CEO (1995–2009) Member of the board (1998–2002) Executive Vice President (1994–1995) Member of the Group Executive Committee, head of manufacturing (1991–1994) Management positions in engineering and manufacturing (1982–1991)
Prior to 1982	Bruno Piatti AG and Motor Columbus AG, various positions

Education

1978	MBA, International Institute for Management Development, Switzerland
1976	Master's degree in Mechanical Engineering, Swiss Federal Institute of Technology, Switzerland

Other activities and functions
Nestlé SA, board member and vice-chairman
Georg Fischer AG, chairman of the board
CSD Group, board member
Sonceboz SA, board member
Economiesuisse, board member
EPFL, Lausanne, Switzerland, strategic advisory board member
EPFL+ Foundation, member of the board of trustees

Jean Lanier
Born 1946
French Citizen
Board member since 2005

Professional history

2005–present	Credit Suisse Chairman of the Compensation Committee (2013–present) Member of the Chairman's and Governance Committee (2013–present) Member of the Compensation Committee (2011–present) Member of the Audit Committee (2005–2015)
1990–2004	Euler Hermes Group, Paris Chairman of the managing board and group CEO (1998–2004) Chairman of the boards of principal subsidiaries (1998–2004) Managing director of Euler Group (1997–1998) COO and managing director of SFAC (subsequently Euler Hermes SFAC) (1990–1997)
Prior to 1990	Pargesa Group, Paris and Geneva, managing director Lambert Brussells Capital Corporation, New York, president Paribas Group, various positions, among others: senior vice president of the finance division and senior executive for North America

Education

1970	Master of Science in Operations Research and Finance, Cornell University, New York
1969	Master's degree in Engineering, Ecole Centrale des Arts et Manufactures, Paris

Other activities and functions

Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA (subsidiaries of Swiss Re AG), chairman of the board

La Fondation Internationale de l'Arche, chairman of the board

Friends of l'Arche Long Island, chairman of the board

Association Jean Vanier, board member

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Seraina Maag
Born 1968
Australian and Swiss Citizen
Board member since 2015

Professional history

2015–present	Credit Suisse Member of the Audit Committee (2015–present)
2013–2016	AIG Corporation CEO and President of AIG EMEA (2013–2016)
2010–2013	XL Insurance North America, chief executive
2002–2010	Zurich Financial Services CFO Specialties Unit (2007–2010); Various positions, among others: head of the joint investor relations and rating agencies management departments; head of rating agencies management; senior investor relations officer (2002–2008)
2000–2002	NZB Neue Zuercher Bank, founding partner and financial analyst
1990–2000	Swiss Re Rating agency coordinator, Swiss Re Group (2000) Senior underwriter and deputy head of financial products (1996–1999) Various senior positions in Zurich and Melbourne (1990–1996)

Education

2001	Chartered Financial Analyst (CFA), CFA Institute, US
1999	MBA, Monash Mt Eliza Business School, Australia
1997	Post-graduate certificate in Management, Deakin University, Australia

Other activities and functions
Association of Professional Insurance Women, member
Food Bank for New York City, board member

Kai S. Nargolwala
Born 1950
Singapore Citizen
Board member since 2013

Professional history

2008–present	Credit Suisse Member of the Compensation Committee (2014–present) Member of the Risk Committee (2013–present) Non-executive chairman of Credit Suisse's Asia-Pacific region (2010–2011) Member of the Executive Board (2008–2010) CEO of Credit Suisse Asia Pacific region (2008–2010)
1998–2007	Standard Chartered plc, main board executive director
Prior to 1998	Bank of America Group executive vice president and head of Asia Wholesale Banking group in Hong Kong (1990–1995) Head of High Technology Industry group in San Francisco and New York (1984–1990) Various management and other positions in the UK, the US and Asia (1976–1984) Peat Marwick Mitchell & Co., London, accountant (1970–1976)

Education

1974	Fellow of the Institute of Chartered Accountants (FCA), England and Wales
1969	BA in Economics, University of Delhi

Other activities and functions
Prudential plc, member of the board
Prudential Corporation Asia Limited, director and non-executive chairman
PSA International Pte. Ltd. Singapore, board member
Clifford Capital Pte. Ltd., director and non-executive chairman
Monetary Authority of Singapore,
Singapore Capital Markets Committee member
Casino Regulatory Authority in Singapore, board member
Duke-NUS Graduate Medical School, Singapore,
chairman of the governing board

Severin Schwan
Born 1967
Austrian and German Citizen
Board member since 2014

Professional history

2014–present	Credit Suisse Member of the Risk Committee (2014–present)
1993–present	Roche Group CEO (2008–present) CEO, Division Roche Diagnostics (2006–2008) Head Asia Pacific Region, Roche Diagnostics Singapore (2004–2006) Head Global Finance & Services, Roche Diagnostics Basel (2000–2004) Various management and other positions with Roche Germany, Belgium and Switzerland (1993–2000)

Education

1993	Doctor of Law, University of Innsbruck, Austria
1991	Master's degrees in Economics and Law, University of Innsbruck, Austria

Other activities and functions
Roche Holding Ltd., board member
International Business Leaders Advisory Council for the Mayor of Shanghai, member

Richard E. Thornburgh
Born 1952
US Citizen
Board member since 2006
Vice-Chair of the Board

Professional history

2006–present	Credit Suisse Vice-Chair (2014–present) Member of the Audit Committee (2011–present) Chairman of the Risk Committee (2009–present) Member of the Chairman's and Governance Committee (2009–present) Member of the Risk Committee (2006–present) Non-executive director and chair of Credit Suisse Holdings (USA), Inc. (US subsidiary) (2015–present) Non-executive director of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2013–present)
2006–2015	Corsair Capital LLC, New York, vice-chairman
Prior to 2006	Credit Suisse Member of the Group Executive Board in various executive roles including Group CRO, Group CFO and CFO Investment Banking (1997–2005) Chief financial and administrative officer and member of the executive board of Credit Suisse First Boston (1995–1996) Began investment banking career in New York with The First Boston Corporation (predecessor firm of Credit Suisse First Boston)

Education
2009

	Honorary Doctorate, Commercial Sciences, University of Cincinnati, Ohio
1976	MBA in Finance, Harvard University, Cambridge, Massachusetts
1974	BBA in Finance, University of Cincinnati, Ohio

Other activities and functions
Corsair Capital LLC, investment committee member
McGraw Hill Financial Inc., board member
CapStar Bank, board member
New Star Financial Inc., board member and lead director
St. Xavier High School, trustee and finance committee chair
University of Cincinnati, investment committee member

Sebastian Thrun
Born 1967
German and US Citizen
Board member since 2014

Professional history

2014–present	Credit Suisse Member of the Risk Committee (2014–present)
2012–present	Udacity, co-founder and CEO
2007–2014	Google Corporation, Google Fellow and vice president
2003–present	Stanford University Research Professor (2011–present) Professor (2003–2011)
1995–2003	Carnegie Mellon University, Associate Professor

Education

2015	Honorary Doctorate, Delft University of Technology, Netherlands
1995	Doctorate in Computer Science and Statistics, University of Bonn, Germany
1993	Masters in Computer Science, University of Bonn, Germany
1988	Degree in Computer Science, University of Hildesheim, Germany

Other activities and functions
Veritas Technologies LLC, director
Snitch, Inc., director
Robotics Science and Systems Foundation, member and treasurer

John Tiner
Born 1957
British Citizen
Board member since 2009

Professional history

2009–present	Credit Suisse Chairman of the Audit Committee (2011–present) Member of the Chairman's and Governance Committee (2011–present) Member of the Risk Committee (2011–present) Member of the Audit Committee (2009–present) Non-executive director of Credit Suisse Holdings (USA), Inc. (US subsidiary) (2015–present)
2008–2013	Resolution Operations LLP, CEO
2001–2007	Financial Services Authority (FSA) CEO (2003–2007) Managing director of the investment, insurance and consumer directorate (2001–2003)
Prior to 2001	Arthur Andersen, UK Managing partner, UK Business Consulting (1997–2001) Managing partner, Worldwide Financial Services practice (1997–2001) Head of UK Financial Services practice (1993–1997) Partner in banking and capital markets (1988–1997) Auditor and consultant, Tansley Witt (later Arthur Andersen UK) (1976–1988)

Education

2010	Honorary Doctor of Letters, Kingston University, London
1980	UK Chartered Accountant, Institute of Chartered Accountants in England and Wales

Other activities and functions
Towergate Insurance, chairman
Tilney Bestinvest, board member
Corsair Capital LLC, advisory board member
The Urology Foundation, chairman
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Honorary Chairman of Credit Suisse Group AG

Rainer E. Gut Born 1932, Swiss Citizen

Rainer E. Gut was appointed Honorary Chairman of the Group in 2000 after he retired as Chairman, a position he had held from 1986 to 2000. Mr. Gut was a member of the board of Nestlé SA, Vevey, from 1981 to 2005, where he was vice-chairman from 1991 to 2000 and chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

Secretaries of the Board

Pierre Schreiber

Joan E. Belzer

Executive Board

The Executive Board is responsible for the day-to-day operational management of the Group. It develops and implements the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board. It further reviews and coordinates significant initiatives, projects and business developments in the divisions and the corporate functions and establishes Group-wide policies.

The composition of the Executive Board of the Group and the Bank is identical.

Recent developments

On March 10, 2015, we announced the Board's appointment of Tidjane Thiam as the new CEO of the Group. He took over this position from Brady W. Dougan, who stepped down at the end of June 2015, after eight years as the CEO of the Group.

Effective October 21, 2015, the Board appointed six new members of the Executive Board: Pierre-Olivier Bouée as Chief Operating Officer; Peter Goerke as Head of Human Resources, Communications & Branding; Thomas P. Gottstein as CEO Swiss Universal Bank; Iqbal Khan as CEO International Wealth Management; Helman Sitohang as CEO Asia Pacific; and Lara J. Warner as Chief Compliance and Regulatory Affairs Officer. Also effective October 21, 2015, the following individuals stepped down from the Executive Board: Gaël de Boissard, Hans-Ulrich Meister, Robert S. Shafir and Pamela A. Thomas-Graham.

The size of the Executive Board increased from ten to twelve members during 2015.

Members of the Executive Board

	Executive Board member since	Role
December 31, 2015		
Tidjane Thiam, Chief Executive Officer [1]	2015	Group CEO
James L. Amine, CEO Investment Banking & Capital Markets	2014	Divisional Head
Pierre-Olivier Bouée, COO [2]	2015	Corporate Function Head
Romeo Cerutti, General Counsel	2009	Corporate Function Head
Peter Goerke, Head of Human Resources, Communications & Branding [2]	2015	Corporate Function Head
Thomas P. Gottstein, CEO Swiss Universal Bank [2]	2015	Divisional Head
Iqbal Khan, CEO International Wealth Management [2]	2015	Divisional Head
David R. Mathers, Chief Financial Officer	2010	Corporate Function Head
Joachim Oechslin, Chief Risk Officer	2014	Corporate Function Head
Timothy P. O'Hara, CEO Global Markets	2014	Divisional Head
Helman Sitohang, CEO Asia Pacific [2]	2015	Divisional Head
Lara J. Warner, Chief Compliance and Regulatory Affairs Officer [2]	2015	Corporate Function Head

1

New CEO appointment announced on March 10, 2015, effective on July 1, 2015.
2
Appointed on October 21, 2015 as a new Executive Board member with immediate effect.

Executive Board mandates

Our Executive Board members may, similar to our Board members, assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. According to the Group's AoA, the number of mandates Executive Board members may hold in listed companies and other organizations outside of the Group is subject to certain restrictions, in order to comply with the Compensation Ordinance and to ensure that our Executive Board members dedicate sufficient time to fulfil their executive roles. No Executive Board member holds mandates in excess of the restrictions as set forth in our AoA.

> Refer to "Mandates" in Board of Directors for further information.

Biographies of the Executive Board members

Tidjane Thiam
Born 1962
French and Ivorian Citizen
Member since 2015
Chief Executive Officer

Professional history

2015–present	Credit Suisse Chief Executive Officer of the Group (2015–present)
2008–2015	Prudential plc Group Chief Executive (2009–2015) Chief Financial Officer (2008–2009)
2002–2008	Aviva Chief Executive (2006–2008) Managing director, International (2004–2006) Group strategy & development director (2002–2004)
2000–2002	McKinsey & Co, partner, Paris
1998–1999	Minister of planning and development, Côte d’Ivoire
1994–1998	National Bureau for Technical Studies & Development, Côte d’Ivoire, Chairman and Chief Executive
Prior to 1994	McKinsey & Co, partner, consultant, Paris, London and New York

Education

1988	MBA, INSEAD
1986	Advanced Mathematics and Physics, Ecole Nationale Supérieure des Mines de Paris
1984	Ecole Polytechnique, Paris

Other activities and functions
World Economic Forum 2016 in Davos, co-chair
Group of Thirty (G30), member
21st Century Fox, board member

James L. Amine
Born 1959
US Citizen
Member since 2014
CEO Investment Banking
& Capital Markets

Professional history

1997–present	Credit Suisse CEO Investment Banking & Capital Markets (2015–present) Joint Head of Investment Banking, responsible for the Investment Banking Department (2014–2015) Head of Investment Banking Department (2012–present) Co-Head of Investment Banking Department, responsible for the Americas and Asia Pacific (2010–2012) Co-Head of Investment Banking Department, responsible for EMEA and Asia Pacific and Head of Global Market Solutions Group (2008–2010) Head of European Global Markets Solutions Group and Co-Head of Global Leveraged Finance (2005–2008)

	Head of European Leveraged Finance (1999–2000; 2003–2005), Co-Head (2000–2003)
	Various functions within High-Yield Capital Markets of Credit Suisse First Boston (1997–1999)
Prior to 1997	Cravath, Swaine & Moore, attorney
Education	
1984	JD, Harvard Law School
1981	BA, Brown University

Other activities and functions

New York Cares, board member

Americas Diversity Council, member

Leadership Committee of Lincoln Center Corporate Fund, member

Caramoor Center for Music and the Arts, board member

Harvard Law School, dean's advisory board member

Credit Suisse Americas Foundation, board member

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Pierre-Olivier Bouée
Born 1971
French Citizen
Member since 2015
Chief Operating Officer

Professional history

2015–present	Credit Suisse Chief Operating Officer (2015–present) Chief of Staff (2015)
2008–2015	Prudential plc Group Risk Officer (2013–2015) Managing director, CEO office (2009–2013) Business representative Asia (2008–2013)
2004–2008	Aviva Director, Central & Eastern Europe (2006–2008) Director, Group strategy (2004–2006)
2000–2004	McKinsey & Co Associate principal (2004) Engagement manager (2002–2004) Associate (2000–2002)
1997–2000	French Government Ministry of Economy and Finance, Treasury Department Deputy General Secretary of the Paris Club Deputy Head, International Debt office (F1)

Education

1997	Master in Public Administration, Ecole Nationale d'Administration (ENA)
1991	Master in Business and Finance, Hautes Etudes Commerciales (HEC)
1991	Master in Corporate Law, Faculté de Droit Paris XI, Jean Monnet

Romeo Cerutti
Born 1962
Swiss and Italian Citizen
Member since 2009
General Counsel

Professional history

2006–present	Credit Suisse General Counsel (2009–present) Global Co-Head of Compliance (2008–2009) General Counsel, Private Banking (2006–2009)
1999–2006	Lombard Odier Darier Hentsch & Cie Partner of the Group Holding (2004–2006) Head of Corporate Finance (1999–2004)
1995–1999	Homburger Rechtsanwälte, Zurich, attorney-at-law
Prior to 1995	Latham and Watkins, Los Angeles, attorney-at-law

Education

1998	Post-doctorate degree in Law (Habilitation), University of Fribourg

1992	Admission to the bar of the State of California
1992	Master of Law (LLM), University of California, Los Angeles
1990	Doctorate in Law, University of Fribourg
1989	Admission to the bar of the Canton of Zurich
1986	Master in Law (lic.iur.), University of Fribourg

Other activities and functions

Galenica Ltd, board member

American-Swiss Chamber of Commerce, legal group member

Association Friends of the Zurich Art Museum, board member

University of Fribourg, board of trustees member

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Peter Goerke
Born 1962
Swiss Citizen
Member since 2015
Head of Human Resources, Communications & Branding

Professional history

2015–present	Credit Suisse Head of Human Resources, Communications & Branding
2011–2015	Prudential Plc, Group Human Resources director
2005–2011	Zurich Financial Services, Group Head of Human Resources
2000–2005	Egon Zehnder, consultant
1997–2000	McKinsey & Company, Zurich and Chicago, consultant

Education

2002	Advanced Management Program (AMP), University of Pennsylvania – The Wharton School
1998	lic. oec., University of St. Gallen

Thomas P. Gottstein
Born 1964
Swiss Citizen
Member since 2015
CEO Swiss Universal Bank

Professional history

1999–present	Credit Suisse CEO Swiss Universal Bank (2015–present) Head of Premium Clients Switzerland & Global External Asset Managers, Private Banking & Wealth Management (2013–2015) Head of Investment Banking Coverage Switzerland (2009–2013) Co-Head of Equity Capital Markets EMEA (2007–2009) Head Equity Capital Markets Switzerland, Austria and Scandinavia, London (2005–2007) Head Equity Capital Markets Switzerland, Zurich (2002–2005) Investment Banking Department Switzerland (1999–2002)
Prior to 1999	UBS, Telecoms Investment Banking and Equity Capital Markets

Education

1996	PhD in Finance and Accounting, University of Zurich
1989	Degree in Business Administration and Economics, University of Zurich

Other activities and functions
Pension Fund CS Group (Schweiz), member of the foundation board
Private Banking STC of the Swiss Banking Association, member
FINMA Private Banking Panel, member

Iqbal Khan
Born 1976
Swiss Citizen
Member since 2015
CEO International Wealth Management

Professional history

2013–present	Credit Suisse CEO International Wealth Management (2015–present) CFO Private Banking & Wealth Management (2013–2015)
2001–2013	Ernst & Young, Switzerland Managing Partner Assurance and Advisory Services – Financial Services (2011-2013) Member of Swiss Management Committee (2011–2013) Industry Lead Partner Banking and Capital Markets, Switzerland and EMEA Private Banking (2009-2011)

Education

2012	Advanced Master of International Business Law (LLM), University of Zurich
2004	Certified Financial Analyst
2002	Swiss Certified Public Accountant
1999	Swiss Certified Trustee

David R. Mathers
Born 1965
British Citizen
Member since 2010
Chief Financial Officer

Professional history

1998–present	Credit Suisse Chief Financial Officer (2010–present) CEO of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2016–present) Head of Strategic Resolution Unit (2015–present) Head of IT and Operations (2012–2015) Head of Finance and COO of Investment Banking (2007–2010) Senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007)
Prior to 1998	HSBC Global head of equity research (1997–1998) Research analyst, HSBC James Capel (1987–1997)

Education

1991	MA in Natural Sciences, University of Cambridge, England
1987	BA in Natural Sciences, University of Cambridge, England

Other activities and functions
European CFO Network, member
Women in Science & Engineering (WISE) program and academic awards and grants at Robinson College, Cambridge, sponsor

Joachim Oechslin
Born 1970
Swiss Citizen
Member since 2014
Chief Risk Officer

Professional history

2014–present	Credit Suisse
	Chief Risk Officer (2014–present)
2007–2013	Munich Re Group, Chief Risk Officer
2007	AXA Group, deputy Chief Risk Officer
2001–2006	Winterthur
	Member of the executive board (2006)
	Chief Risk Officer (2003–2006)
	Head of risk management (2001–2003)
1998–2001	McKinsey & Company, consultant

Education

1998	Licentiate/Master of Science in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich
1994	Engineering degree, Higher Technical Institute (HTL), Winterthur

Other activities and functions
International Financial Risk Institute, member

Timothy P. O'Hara
Born 1964
US Citizen
Member since 2014
CEO Global Markets

Professional history

1986–present	Credit Suisse
	CEO Global Markets (2015–present)
	Joint Head of Investment Banking, responsible for the Equities business (2014–2015)
	President and CEO of Credit Suisse Securities (USA) LLC (2012–present)
	Head of Global Equities (2012–2014)
	Co-Head of Global Securities (2011–2012)
	Head of Fixed Income, North America (2009–2011)
	Head of Global Credit Products (2008–2011)
	Co-Head of Global Leveraged Finance (2005–2008)
	Head of Global High Yield Capital Markets and Head of US High Yield Capital Markets (2000–2005)
	Managing Director, Head of Global High Yield Capital Markets and Co-Head of Global Debt Capital Markets (1998–2000)
	Various senior management and other positions in Investment Banking (1986–1998)

Education

1990	MBA in Finance, Wharton School, University of Pennsylvania
1986	BA in Economics, University of Virginia

Other activities and functions
Securities Industry and Financial Markets Association, board member
(Credit Suisse representative) and executive committee member

University of Virginia College Foundation, board of trustees member
Project Morry, board member
211

Helman Sitohang
Born 1965
Indonesian Citizen
Member since 2015
CEO Asia Pacific

Professional history	
1999–present	Credit Suisse
	CEO Asia Pacific (2015–present)
	Regional CEO APAC (2014–2015)
	Head of Investment Banking Asia Pacific (2012–2015)
	Co-Head of the Emerging Markets Council (2012–2015)
	CEO of South East Asia (2010–2015)
	Co-Head of the Investment Banking Department - Asia Pacific (2009–2012)
	Co-Head of the Global Markets Solutions Group - Asia Pacific (2009–2012)
	Country CEO, Indonesia (1999–2010)
Prior to 1999	Bankers Trust, derivatives group
Education	
1989	BS in Engineering, Bandung Institute of Technology

Lara J. Warner
Born 1967
Australian and US Citizen
Member since 2015
Chief Compliance and Regulatory Affairs Officer

Professional history	
2002–present	Credit Suisse
	Chief Compliance and Regulatory Affairs Officer (2015–present)
	Chief Operating Officer, Investment Banking (2013–2015)
	Chief Financial Officer, Investment Banking (2010–2015)
	Head of Global Fixed Income Research (2009–2010)
	Head of US Equity Research (2004–2009)
	Senior Equity Research Analyst (2002–2004)
1999–2001	Lehman Brothers, equity research analyst
Prior to 1999	AT&T
	Director of Investor Relations (1997–1999)
	Chief Financial Officer, Competitive Local Exchange Business (1995-1997)
	Various finance and operating roles (1988-1995)
Education	
1988	BS, Pennsylvania State University

Other activities and functions
Women’s Leadership Board of Harvard University’s John F. Kennedy School of Government, executive committee chair
Aspen Institute’s Business and Society Program, board member

Banking relationships with Board and Executive Board members and related party transactions

The Group is a global financial services provider. Many of the members of the Board and the Executive Board or companies associated with them maintain banking relationships with us. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Board or the Executive Board have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Board or the Executive Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Board, members of the Executive Board or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2015, 2014 and 2013, there were no loan exposures to such related parties that were not made in the ordinary course of business and at prevailing market conditions.

> Refer to "Board shareholdings and loans" and "Executive Board shareholdings and loans" in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, for a list of the outstanding loans to members of the Board and the Executive Board.

Related party transactions

Tier 1 capital instruments

Beginning in February 2011, the Group entered into agreements with entities affiliated with QIA and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products. The agreements were amended in 2012 and 2013 and, as a result, QIA and The Olayan Group agreed to purchase new tier 1 high-trigger capital instruments (new Tier 1 Capital Notes) in exchange for their holdings of previously issued notes. The following new Tier 1 Capital Notes were outstanding as of December 31, 2015:

– USD 1.725 billion, 9.5%, held by an affiliate of The Olayan Group;
– USD 1.72 billion, 9.5%, held by an affiliate of QIA; and
– CHF 2.5 billion, 9.0%, held by an affiliate of QIA.

Under their terms, the new Tier 1 Capital Notes will be converted into our ordinary shares if our reported common equity tier 1 (CET1) ratio, as determined under >>>BCBS regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless >>>FINMA, at our request, has agreed on or prior to the publication of our quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, our reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of our ordinary shares over a five-day period preceding the notice of conversion. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by us no earlier than 2018 and in certain other circumstances with FINMA approval. Interest, which is payable on the USD 1.725 billion and the USD 1.72 billion new Tier 1 Capital Notes at a fixed rate of 9.5% and on the CHF 2.5 billion new Tier 1 Capital Notes at a fixed rate of 9.0%, will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of our current Board member Jassim Bin Hamad J.J. Al Thani and our then Board member Aziz R.D. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the notes issued and held by QIA and The Olayan Group, were fair. As of April 26, 2013, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a Board member.

> Refer to "Note 30 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

Audit

> Refer to “Audit Committee” in Board committees for further information on the responsibilities of the audit committee.

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

Internal Audit

Our Internal Audit function comprises a team of around 300 professionals, substantially all of whom are directly involved in auditing activities. The Head of Internal Audit, Martyn Scrivens, reports directly to the Audit Committee chairman.

Internal Audit performs an independent and objective assurance function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Charter for Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining key risk themes and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee chairman. The Head of Internal Audit reports to the Audit Committee at least quarterly and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

External auditors

Our statutory auditor is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 1989/1990. The lead Group engagement partners are Anthony Anzevino, Global Lead Partner (since 2012) and Simon Ryder, Group Engagement Partner (since 2010).

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

Audit committee pre-approval policy

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services.

Fees paid to external auditors

in	2015	2014	% change
Fees paid to external auditors (CHF million)			
Audit services [1]	45.3	39.8	14
Audit-related services [2]	10.0	6.7	49
Tax services [3]	2.2	2.4	(8)

1
Audit services include the integrated audit of the Group's consolidated and statutory financial statements, interim reviews and comfort and consent letters. Additionally they include all assurance and attestation services related to the regulatory filings of the Group and its subsidiaries. Audit fees exclude value-added taxes.

2
Audit-related services are primarily in respect of: (i) reports related to the Group's compliance with provisions of agreements or calculations required by agreements; (ii) accounting advice; (iii) audits of private equity funds and employee benefit plans; and (iv) regulatory advisory services.

3
Tax services are in respect of tax compliance and consultation services, including: (i) preparation and/or review of tax returns of the Group and its subsidiaries;

(ii) assistance with tax audits and appeals; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

KPMG attends all meetings of the Audit Committee and reports on the findings of its audit and/or interim review work. The Audit Committee reviews on an annual basis KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, our policy on the engagement of public accounting firms, which has been approved by the Audit Committee, strives to further ensure an appropriate degree of independence of our external auditor. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this policy and as in prior years, all KPMG non-audit services provided in 2015 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed to date.

Additional information

Complying with rules and regulations

We fully adhere to the principles set out in the Swiss Code of Best Practice for Corporate Governance, dated August 28, 2014, including its appendix stipulating recommendations on the process for setting compensation for the Board and the Executive Board.

In connection with our primary listing on the SIX, we are subject to the SIX Directive on Information Relating to Corporate Governance, dated September 1, 2014. Our shares are also listed on the NYSE in the form of >>>American Depositary Shares (ADS) and certain of the Group's exchange traded notes are listed on the Nasdaq Stock Market (Nasdaq). As a result, we are subject to certain US rules and regulations. We adhere to the NYSE's and the Nasdaq's corporate governance listing standards (NYSE and Nasdaq standards), with a few exceptions where the rules are not applicable to foreign private issuers.

The following are the significant differences between our corporate governance standards and the corporate governance standards applicable to US domestic issuers listed on the NYSE and Nasdaq:

– Approval of employee benefit plans: NYSE and Nasdaq standards require shareholder approval of the establishment of, and material revisions to, certain equity compensation plans. We comply with Swiss law, which requires that shareholders approve the creation of conditional capital used to set aside shares for employee benefit plans and other equity compensation plans, but does not require shareholders to approve the terms of those plans.

– Risk assessment and risk management: NYSE standards allocate to the Audit Committee responsibility for the discussion of guidelines and policies governing the process by which risk assessment and risk management is undertaken, while at the Group these duties are assumed by the Risk Committee. Whereas our Audit Committee members satisfy the NYSE as well as Nasdaq independence requirements, our Risk Committee may include non-independent members.

– Independence of nominating and corporate governance committee: NYSE and Nasdaq standards require that all members of the nominating and corporate governance committee be independent. The Group's Chairman's and Governance Committee is currently comprised entirely of independent members, but according to its charter, may include non-independent members.

– Reporting: NYSE standards require that certain board committees report specified information directly to shareholders, while under Swiss law only the Board reports directly to the shareholders and the committees submit their reports to the full Board.

– Appointment of the external auditor: NYSE and Nasdaq standards require that an Audit Committee of a listed company comply with and have the authority necessary to comply with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934. Rule 10A-3 requires the Audit Committee to be directly responsible for the appointment, compensation, retention and oversight of the external auditor unless there is a conflicting requirement under home country law. Under Swiss law, the appointment of the external auditor must be approved by the shareholders at the AGM based on the proposal of the Board, which receives the advice and recommendation of the Audit Committee.

– Audit Committee charter: Nasdaq standards require the Audit Committee to review and assess the adequacy of its charter on an annual basis, while our Audit Committee's charter only requires review and assessment from time to time.

– Executive sessions: NYSE and Nasdaq standards require the board of directors to meet regularly in executive sessions comprised solely of independent directors. Our Board meets regularly in executive sessions comprised of all directors, including any directors determined to be not independent. If any item discussed at the meeting raises a conflict of interest for any of our directors, however, such director does not participate in the related decision making. The Board does not include any directors who are also members of management.

– Quorums: Nasdaq standards require that the company's by-laws provide for a quorum of at least 33⅓% of the outstanding shares of the company's common stock for any meeting of the holders of common stock. The Group's AoA call for a quorum in certain instances, but do not require a quorum of 33⅓% or greater of the holders of the outstanding shares of common stock for any meeting of shareholders.

– Independence: NYSE and Nasdaq independence standards specify thresholds for the maximum permissible amount of (i) direct compensation that can be paid by the company to a director or an immediate family member thereof, outside of such director's directorship fees and other permitted payments; and (ii) payments between the company and

another company at which such director or an immediate family member thereof is an executive officer, controlling shareholder, partner or employee. Our independence standards do not specify thresholds for direct compensation or cross-company revenues, but consider these facts in the overall materiality of the business relationship determination for independence purposes.

Fiduciary duties and indemnification

The Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, in connection with this requirement, imposes the duties of care and loyalty on directors and members of senior management. While Swiss law does not have a general provision on conflicts of interest, the duties of care and loyalty are generally understood to disqualify directors and members of senior management from participating in decisions that could directly affect them. Directors and members of senior management are personally liable to the corporation for any breach of these provisions.

The Group's AoA and the Bank's AoA do not contain provisions regarding the indemnification of directors and officers. According to Swiss statutory law, an employee has a right to be indemnified

by the employer against losses and expenses incurred by such person in the execution of such person's duties under an employment agreement, unless the losses and expenses arise from the employee's gross negligence or willful misconduct. It is our policy to indemnify current and former directors and/or employees against certain losses and expenses in respect of service as a director or employee of the Group, one of the Group's affiliates or another entity that we have approved, subject to specific conditions or exclusions. We maintain directors' and officers' insurance for our directors and officers.

Employee relations

As of December 31, 2015, we had 48,200 employees worldwide, of which 17,400 were in Switzerland and 30,800 were abroad. The majority of our employees do not belong to unions. We have not experienced any significant strikes, work stoppages or labor disputes in recent years. We consider our relations with our employees to be good.

> Refer to "Credit Suisse" in II – Operating and financial review and the 2015 Corporate Responsibility Report for further information on our responsibility as an employer,

Fees and charges for holders of ADS

In accordance with the terms of the Deposit Agreement, Deutsche Bank Trust Company Americas, as depositary for the ADS (Depositary), may charge holders of our ADS, either directly or indirectly, fees or charges up to the amounts described below.

The Depositary collects its fees for the delivery and surrender of ADS directly from investors depositing shares or surrendering ADS for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to holders by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee services until its fees for those services are paid.

Fees and charges for holders of ADS

Fees	
USD 5 (or less) per 100 ADS (or portion thereof)	For the issuance of ADS, including issuances resulting from a distribution of shares, share dividends, share splits and other property; for ADS issued upon the exercise of rights; and for the surrender of ADS for cancellation and withdrawal of shares.
USD 2 per 100 ADS	For any distribution of cash to ADS registered holders, including upon the sale of rights or other entitlements.
Registration or transfer fees	For the transfer and registration of shares on our share register to or from the name of the Depositary or its agent when the holder deposits or withdraws shares.
Charges	
Expenses of the Depositary	For cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); and for converting foreign currency to US dollars.
Taxes and other governmental charges	Paid, as necessary, to the Depositary or the custodian who pays certain charges on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or applicable interest or penalty thereon.
Other charges	Paid, as necessary, to the Depositary or its agents for servicing the deposited shares.

Amounts paid by the Depositary to the Group

In accordance with the Group's engagement letter, in 2015 the Depositary made payments to the Group of USD 0.2 million, including for the reimbursement of expenses relating to its American Depositary Receipt (ADR) program. The Depositary has also contractually agreed to provide certain ADR program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADR program by the Group, the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

Compensation

Dear shareholders

As the Chairman of the Compensation Committee of the Board (Compensation Committee), I am pleased to present to you the 2015 Compensation Report. Let me briefly highlight some of the focus areas of the Compensation Committee in 2015, the main compensation decisions related to variable incentive compensation awarded for the 2015 financial year, as well as the resolutions which we will submit for binding shareholder votes at this year's AGM.

Key developments

Following the appointment of Tidjane Thiam as the new Chief Executive Officer (CEO), we communicated in October our new strategic direction, including a changed organizational structure and composition of the Executive Board. The organizational structure, which is client-focused and designed to improve the alignment with market and regulatory differences in the various regions, included a right-sizing and re-organization of the former Investment Banking division. This triggered the reassessment of certain assets and resulted in a goodwill impairment charge of CHF 3.8 billion in the fourth quarter of 2015, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000.

In line with the management and organizational changes, and in response to shareholder feedback that compensation arrangements for the Executive Board fully reflect the Group's new strategy and communicated financial goals, the Compensation Committee initiated a review of the compensation structure and recommended various amendments for approval by the Board of Directors (Board). These amendments are outlined below. In addition, the Compensation Committee carefully monitored the Group's continued progress in considering risk in connection with performance reviews and the compensation process. This included achieving greater consistency across divisions and regions in setting compensation, as well as in pursuing the application of malus and clawback provisions to the extent permitted under local laws, in the event of disciplinary infractions.

Another significant factor affecting compensation in 2015 was the challenging market environment, which negatively impacted the Group's performance, especially in the fourth quarter of the year. Given that these volatile market conditions are expected to continue, it is timely that we have placed the utmost priority on the repositioning of Credit Suisse's strategy and the redesign of our Executive Board compensation structure.

Compensation decisions

Group compensation

For 2015, the Board approved the Compensation Committee's proposal to award total Group variable incentive compensation of CHF 2,920 million, which was 11% lower compared to 2014, and 19% lower compared to 2013. The divisional pools for Global Markets and Investment Banking & Capital Markets decreased by more than 30%, a substantial reduction compared to 2014 levels, reflecting the weak performance of those divisions in 2015, particularly in the fourth quarter. As a result, 31% of employees in those divisions had their variable incentive compensation reduced by more than 50% for 2015, compared to the previous year.

Of the total variable incentive compensation awarded across the Group for 2015, 43% was deferred, compared to 48% in 2014. This reduction in deferral rates is part of an initiative to gradually reduce the amortization impact of deferred compensation on future financial years.

Executive Board compensation

To align our Executive Board compensation with the new strategic direction and to achieve a stronger link between pay and performance, upon the recommendation of the Compensation Committee the Board has approved a revised compensation structure with the following key features to be fully implemented in 2016:

– Variable incentive compensation will be awarded as Short-Term Incentive (STI) and Long-Term Incentive (LTI) opportunities. Each component will be expressed as a percentage of base salary taking into account the role, market experience and geography, and actual payout levels will be limited to 100% of the opportunity. Payout levels for STI awards will be based on the achievement of performance targets for the prior financial year, whereas the payout of LTI awards will be linked to future performance pursuant to the long-term strategic plan, with no link to prior year Group or divisional performance;

– The Board will approve targets for STI and LTI awards with defined "Threshold", "Target" and "Maximum" performance levels, corresponding to payouts of 25%, 80% and 100% respectively. There will be no payout for actual performance achievements below the "Threshold", and any payout of 100% of the opportunity would require outperformance above the pre-determined goals; and

– In addition to internal key performance metrics, LTI awards will be based on Total Shareholder Return (TSR) as a market-determined metric. TSR will be measured against a newly defined group of 18 peers on a ranked basis. A 100% payout of the LTI opportunity requires a Credit Suisse TSR ranking within the top four of the peer group over a three-year performance period.

For 2015, the Board proposes to award variable incentive compensation to members of the Executive Board as STI awards in a combination of cash and Contingent Capital Awards (CCA) in line with the structure envisaged in the 2014 Annual Report. Subject to shareholder approval, we intend to grant LTI awards under the new structure, i.e., unrelated to the performance in 2015 and contingent upon performance targets pre-determined for the three-year period from the beginning of 2016 until the end of 2018.

Given the significant changes in the composition of the Executive Board and the new organizational structure, modifications to the basis for determining variable incentive compensation were required, and different approaches were applied depending on the length of service of each Executive Board member during 2015. The overall Group financial results were taken into account under each approach:

– For the five individuals who were members of the Executive Board during the entire year of 2015, variable incentive compensation awarded in the form of STI awards (including cash and deferred STI awards) was on average 40% below the value of STI awards granted with respect to the prior year;

– For the three individuals who joined Credit Suisse during 2015 and were appointed to the Executive Board during 2015, including the CEO, variable incentive compensation was determined by taking into account individual contributions to the implementation of the changed organizational structure and strategy, the weaker financial performance in the fourth quarter of 2015, and the CEO's voluntary request for a 40% reduction in the amount of variable incentive compensation that would have been otherwise awarded to him;

– For the four existing employees who were promoted to the Executive Board during 2015, variable incentive compensation awarded was based on an assessment against pre-existing performance objectives for the first nine months of the year, and an assessment of performance in the fourth quarter of 2015, taking into account individual contributions and the business performance during that period, as applicable; and

– For the five individuals who ceased to be Executive Board members during 2015, variable incentive compensation awarded was negotiated on a case by case basis through separation agreements.

Board of Directors compensation

The fee structure for members of the Board remained unchanged compared to the previous year. In consideration of the Group's weaker financial performance in 2015 and the reported full year loss, the Chairman proposed to voluntarily waive his chair fee of CHF 1.5 million for the period from the 2015 AGM to the 2016 AGM, and this proposal was approved by the Board in the context of determining compensation.

Annual General Meeting of Shareholders 2016

In line with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Group's Articles of Association (AoA), the compensation of the Board and the Executive Board will be submitted for binding shareholder votes at the 2016 Annual General Meeting of Shareholders (AGM). Accordingly, shareholders will be asked to approve the following:

– maximum aggregate compensation for the Board for the period 2016 AGM to 2017 AGM (prospective vote);

– Executive Board aggregate variable incentive compensation for the 2015 financial year (retrospective vote);

– maximum aggregate fixed compensation for the Executive Board for the period 2016 AGM to 2017 AGM (prospective vote); and

– maximum aggregate amount of LTI compensation to be awarded to members of the Executive Board for the financial year 2016, subject to performance measurement over the three-year period from 2016 to 2018, followed by vesting and delivery in three installments over two years on the third, fourth, and fifth anniversaries of the grant date (prospective vote).

The actual fixed compensation paid to the Board and the Executive Board for the period 2015 AGM to 2016 AGM was in line with the amounts approved by the shareholders at last year's AGM.

We will continue to submit the entire Compensation Report for a consultative vote as was our practice in the past.

The Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2015. This Compensation Report is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority FINMA (FINMA). In the context of compensation for the Board and the Executive Board, the Compensation Report is in compliance with the respective provisions of the Compensation Ordinance, as confirmed by our auditors KPMG. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter.

On behalf of the Compensation Committee, I would like to thank you for your support and feedback, which we will continue to solicit in the context of reviewing and refining our compensation practices to ensure both full compliance with all regulatory requirements as well as alignment with the interests of our shareholders.

Jean Lanier

Chairman of the Compensation Committee

Member of the Board of Directors
March 2016
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Report of the Independent Registered Public Accounting Firm

Report of the Statutory Auditor to the General Meeting of Shareholders of Credit Suisse Group AG, Zurich

We have audited the accompanying Compensation report dated March 24, 2016 of Credit Suisse Group AG (the "Group") for the year ended December 31, 2015. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (the "Ordinance") contained in the sections marked with (Audited) on pages 235 to 247 of the Compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying Compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Compensation report for the year ended December 31, 2015 of the Group complies with Swiss law and articles 14-16 of the Ordinance.

KPMG AG

Simon Ryder	Ralph Dicht
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, Switzerland

March 24, 2016

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Group compensation

Compensation policy and objectives

The objectives of the Group's compensation policy include attracting and retaining employees, and motivating employees to achieve results with integrity and fairness. The compensation policy is designed to support a performance culture which fosters teamwork and collaboration. Furthermore, it aims to promote effective risk management practices consistent with the Group's compliance and control framework. The compensation policy takes into account the capital position and long-term performance of the Group and balances the fixed and variable incentive compensation components to reflect the value and responsibility of the roles that employees perform. The objectives of the compensation policy are framed to achieve an appropriate balance between the interests of employees and shareholders in order to create sustainable value for the Group.

The compensation policy applies to all employees and compensation plans of the Group. It contains a detailed description of the Group's compensation principles and objectives as well as the compensation programs. It also sets out the standards and processes relating to the development, management, implementation and governance of compensation. The compensation policy adheres to the compensation principles set out by the Group's regulator in Switzerland, the >>>FINMA, and the Group's other main regulators.

The compensation policy is reviewed regularly and endorsed by the independent Compensation Committee. The compensation policy, as well as periodic updates and revisions, is approved by the Board. The compensation policy is accessible to all employees and is published at *www.credit-suisse.com/compensation*.

Compensation Committee

The Compensation Committee is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing compensation for the Group and Executive Board for approval by the Board. In accordance with the Compensation Ordinance and the AoA, the shareholders vote annually to approve the compensation of the Board and the Executive Board based on the proposals set forth by the Board. The Compensation Committee consists of at least three members of the Board, all of whom must be independent. The current members are Jean Lanier (chairman), Iris Bohnet, Andreas N. Koopmann and Kai S. Nargolwala. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the FINMA, and the rules of the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (Nasdaq) in determining that all of these individuals are independent.

> Refer to "Independence" in Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

Advisers to the Compensation Committee

The Compensation Committee is authorized to retain outside advisers, at the Group's expense, for the purposes of providing guidance to the Compensation Committee as it carries out its responsibilities. McLagan, a management consulting firm specializing in the benchmarking of performance and reward data for the financial services industry, assists the Compensation Committee in ensuring that the Group's compensation program remains competitive, responsive to regulatory developments and in line with the compensation policy. McLagan has appointed a senior consultant to advise the Compensation Committee. This individual does not provide other services to the Group other than assisting the Compensation Committee. The law firm Nobel & Hug acts as external legal counsel to the Compensation Committee. Prior to their appointments, the Compensation Committee conducted an independence assessment of these advisers pursuant to the rules of the US Securities and Exchange Commission (SEC) and the listing standards of the NYSE and the Nasdaq.

Compensation Committee meetings and annual performance review

The Chairman of the Board (Chairman) and the CEO may attend the Compensation Committee meetings, and the Compensation Committee chairman determines the attendance of other Board members, Executive Board members, senior management, compensation advisers and external legal counsel, as appropriate.

In January of each year, the Compensation Committee meets, with the Chairman and the CEO present, for the primary purpose of reviewing the performance of the Group, businesses and their respective management teams for the previous year. This provides the basis for a recommendation of the overall variable incentive compensation pools (pools) for the business divisions and corporate functions for approval by the Board. During its annual performance review, the Compensation Committee considers input from the chairmen of the Risk and Audit Committees, who may also attend the Compensation Committee meeting in January. The Risk Committee provides input to the

Compensation Committee with respect to risk considerations and the Audit Committee provides input with respect to internal control considerations. The Compensation Committee approves the compensation for the Head of Internal Audit after consulting with the Audit Committee chairman.

The Compensation Committee also considers input from the Group's internal control functions. Specifically this includes contributions from Risk Management, General Counsel, Compliance and Regulatory Affairs, and Internal Audit, regarding control and compliance issues and any breaches of relevant rules and regulations or the Group's Code of Conduct. The Compensation Committee reviews the impact on the recommended amount of variable incentive compensation of individuals who have been subject to the Group's disciplinary processes.

To meet regulatory guidelines regarding employees engaged in risk-taking activities, the Compensation Committee reviews and approves the compensation for employees identified as >>>Material Risk Takers and Controllers (MRTC). The Risk Committee is involved in the review process for MRTC.

> Refer to "Material Risk Takers and Controllers" in Focus on risk and control – Covered employees (including Material Risk Takers and Controllers) for further information.

During 2015, the Compensation Committee held 14 meetings (including telephone conferences), with the following focus areas:

– reviewing the level and form of compensation for Executive Board members in light of the changes in the Group's organizational and leadership structure;
– reviewing the level of compensation and timing of payment for members of the Board, taking into account the key issues raised by shareholders in 2014 and 2015;
– assessing the performance of the Group and determining the pools under the former and revised divisional structures;
– monitoring global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance;
– reviewing the approach for compensating employees subject to the ongoing developments in regulations, such as CRD IV regulations;
– overseeing management's actions relating to the involvement of the risk management function within the performance assessment and compensation process, in particular regarding Covered Employees and MRTC, in line with regulatory guidance; and
– monitoring the link between employee behavior and compensation levels, including any impact of employee misconduct on compensation and the application of malus provisions.

The Compensation Committee chairman maintains an active dialogue with the Group's principal regulators about compensation governance and plans. In addition, he engages with shareholders and their representatives regarding the compensation policy and plans.

Approval authority

The approval authorities for setting compensation policy and compensation for different groups of employees are defined in the Group's OGR and the Compensation Committee charter available at *www.credit-suisse.com/governance*.

Board approval, based on the recommendation of the Compensation Committee, is required to:

– establish or amend the Group's compensation policy;
– establish or amend the compensation plans;
– determine the pools for the Group and divisions;
– determine compensation for the Executive Board members, including the CEO, subject to the shareholder approval requirement pursuant to the Compensation Ordinance; and
– determine compensation of the Board, including the Chairman, subject to the shareholder approval requirement pursuant to the Compensation Ordinance.

Compensation Committee approval is required for compensation decisions with respect to:

– the Head of Internal Audit (in consultation with the Audit Committee chairman);
– MRTC; and
– other selected members of management.

Impact of regulation on compensation

Many of the Group's regulators, including FINMA, focus on compensation. The requirements of FINMA are set out in FINMA's Circular on Remuneration Schemes (Circular). Additionally, several regulators, including those in the US, the EU and the UK, impose requirements that differ from, or supplement, the FINMA requirements. Therefore, the Group's plans comply globally with the Circular and, to the extent local requirements differ from or supplement those standards, plans are adapted locally in the relevant jurisdiction. This generally results in additional terms, conditions and processes being implemented in the relevant locations. The Group continuously monitors regulatory and legislative developments in all applicable jurisdictions, as well as industry best practices in compensation and guidance issued by various regulatory bodies.

Determination of variable incentive compensation pools

In determining the pools, the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. The primary measure of performance for determining the pools of the Group and business divisions is economic contribution. The methodology to determine the Group and divisional pools also takes into account key performance metrics and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment. Economic contribution is measured at both the Group and divisional levels as income before taxes and variable incentive compensation expense, after deducting a capital usage charge that is calculated based on regulatory capital.

For 2015, regulatory capital was defined for each division as the average of 10% of average divisional >>>Basel III >>>risk-weighted assets and 2.7% of average divisional leverage exposure, reflecting assumptions of increased regulatory requirements. At the beginning of 2015, the leverage exposure requirement stood at 2.4% and was then expected to increase to a minimum of 3.0% by year-end, resulting in the transitional assumption of 2.7% for the full year 2015. Regulatory capital is defined for the Group as the sum of its divisional components. For economic contribution, the Group and divisional results exclude significant litigation provisions and settlements, restructuring expenses, funding valuation adjustments and other significant items as approved by the Compensation Committee. For 2015, the goodwill impairment charge of CHF 3.8 billion, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000, was excluded from the economic contribution calculation on the basis that this impairment charge was not relevant to operating performance for the purposes of determining the pools. The economic contribution calculation for the Group also excludes fair value gains and losses from movements in own credit spreads. This measure of economic contribution considers the profitability of the divisions and the Group and the capital utilized to achieve this profitability. The Compensation Committee intends to achieve a more balanced distribution of economic contribution between employees and shareholders over the long term, subject to Group performance and market conditions.

The pools are determined on an annual basis, and accruals for the divisional and Group-wide pools are made throughout the year. The Compensation Committee regularly reviews the accruals and related financial information and applies adjustments in exceptional circumstances to ensure that the overall size of the pools is consistent with the Group's compensation objectives. Divisional pools for 2015 were determined based on the revised divisional structure announced on October 21, 2015.

The total amount of the pool for the corporate functions is not linked to the performance of the particular divisions that employees of the corporate functions support, but takes into account the Group-wide financial performance, measured in the form of Group economic contribution and qualitative measures. Therefore, employees working in the corporate functions, including those performing control functions, are remunerated independently from the performance of the businesses they oversee and support. As with the business divisions, risk, control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment, are taken into account. After the pool has been determined for the corporate functions, a deduction is applied to the pool of each business division, following a consistent allocation approach, to fund the pool for the employees of the corporate functions.

Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. Through this process, business area managers recognize that capital usage is a significant factor in determining the pool for the business area under their responsibility. The pools are allocated to line managers who award variable incentive compensation to employees based on individual and business area performance, subject to the constraints of the pool size. The corporate functions pool is allocated to the various functions within the corporate functions based on factors such as the achievement of performance objectives, compliance with policies and regulations, and market conditions.

Competitive benchmarking

The assessment of the economic and competitive environment is another important element of the compensation process as the Group strives for market-informed, competitive compensation levels. Internal expertise and the services of compensation consulting firms are used to benchmark compensation levels against relevant peers, taking into account geographical variations. The Compensation Committee is provided with regular reports from the compensation adviser, McLagan, on industry and market trends, including competitor performance and pay trends, throughout the year.

Focus on risk and control

Risk and control considerations are an integral part of the performance assessment and compensation processes. This ensures that the Group's approach to compensation includes a focus on risk and internal control matters and discourages excessive risk taking.

Role of control functions

In order to align profitability and risk when determining annual performance objectives and results, all employees are assessed on a set of business conduct behaviors that include adherence to the Code of Conduct, challenge and escalation, incident reporting, quality assurance and work prioritization. In addition to the annual performance assessment conducted by their line managers, employees who have breached Group policies or procedures are subject to a review process by the Group's control functions, which impacts decisions regarding individual variable incentive compensation awards. The control functions are independent from the businesses and include General Counsel, Compliance and Regulatory Affairs, Risk Management, Finance, Internal Audit, and Human Resources, Communications & Branding. Disciplinary review committees include the input of the Group's control functions and make recommendations on disciplinary measures, as necessary. Such measures can include dismissal, as well as the reduction or elimination of the employee's variable incentive compensation award for the current year and deferred compensation awards from prior years, in line with the applicable malus provisions. The Board's Audit and Risk Committees are periodically provided with information on the disciplinary cases and may give directional input regarding the appropriateness of disciplinary outcomes. The results of the disciplinary review committees' assessment and any disciplinary measures are communicated to the Compensation Committee, together with details of any impact on variable incentive compensation.

Covered Employees (including Material Risk Takers and Controllers)

Material Risk Takers and Controllers

MRTC include employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile. The criteria for classifying individuals as MRTC for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees.

Employees meeting one or more of the following criteria are identified as MRTC:

– members of the Executive Board;

– employees who report directly to a member of the Executive Board: i) in the business divisions, these include employees responsible for managing significant lines of business of the Group and members of divisional management committees; and ii) in the corporate functions of Internal Audit, Finance, Risk Management, General Counsel, Compliance and Regulatory Affairs, and Human Resources, Communications & Branding, these include senior control personnel who are responsible for monitoring individuals or groups of individuals who manage material amounts of risk for the Group;

– employees, either individually or as part of a group, with the ability to put material amounts of the Group's capital at risk (these include traders, and others who are authorized to manage, supervise or approve risk exposure that could have a material or significant effect on the Group's financial results);

– the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function;
– all UK managing directors and other employees, who based on the significance of their functions in the UK and the potential impact of their risk-taking activities on the UK entities meet the "PRA Code Staff" definition of the Group's UK regulator, the Prudential Regulation Authority (PRA); and
– other individuals, whose roles, individually or as part of a group, have been identified as having a potential impact on the market, reputational or operational risk of the Group.

Compensation process for Covered Employees

A broader group of employees collectively known as Covered Employees are also subject to the compensation processes that apply to MRTC. This population includes all MRTC and all US-based revenue producers in the Global Markets and Investment Banking & Capital Markets divisions. In addition, all branch managers of the US domestic private banking business were included in this population, but they were not eligible for variable incentive compensation for 2015 following the exclusive recruiting agreement with Wells Fargo announced in October 2015.
Covered Employees are subject to heightened levels of scrutiny over the alignment of their performance and compensation. Covered Employees and their managers are required to incorporate risk considerations in their performance objectives and evaluations. This includes specifying the types of risk applicable to the individual employee when setting annual risk objectives, assessing risk performance and subsequently setting risk-adjusted variable incentive compensation. The types of risk considered vary by role and include reputational, credit, market, operational, liquidity, and legal and compliance risks. Risk is assessed in the context of both realized and potential risk outcomes.

Malus provisions

All deferred compensation awards contain provisions that enable the Group to reduce or cancel the awards prior to settlement if the conduct of the individual has a materially detrimental impact on the Group, evidences serious misbehavior or error or is reviewed by the Group's relevant disciplinary committee.
Additional malus provisions are triggered where the behavior or performance of the individual causes, or could cause:
– a material downturn in the financial performance or regulatory capital base of the Group, or any of its divisions or regions;
– a material failure of risk management, reputational harm, or other similar events; or
– a combination of the above, as determined by the Board at its sole discretion.
Performance share awards contain further provisions that can result in a downward adjustment or cancellation of the full balance of deferred awards, in the event of future negative business performance. These additional provisions can apply regardless of whether the individual employee in question contributed to that performance.
> Refer to "Compensation design" for further information on deferred compensation.
> Refer to "Performance share awards" in Compensation design – Deferred variable incentive compensation instruments for details of these awards and the performance-based malus provisions and to the table "Potential downward adjustments of performance share and STI awards" for specific downward adjustments that may be applied.

Clawback provisions

While malus provisions referenced above only affect deferred awards prior to settlement, regulations enacted by the PRA require additional "clawback" provisions enabling the Group, subject to conditions, to claim back variable incentive compensation even after vesting and distribution to PRA Code Staff.
The clawback provision applies to all variable incentive compensation (including deferred and non-deferred items such as the cash component of variable incentive compensation) granted to PRA Code Staff. The clawback may be enforced by the Group at any time up to seven years from the grant date of the variable incentive compensation in the event that:
– the individual participated in or was responsible for conduct which resulted in significant losses to the Group;
– the individual failed to meet appropriate standards of fitness and propriety, assessed by reference to factors including i) honesty, integrity and reputation; ii) competence and capability and iii) financial soundness;
– there is reasonable evidence of misbehavior by the individual or material error made by the individual; or
– the Group or the relevant business unit suffers a material failure of risk management.
For PRA Code Staff in jurisdictions other than the UK, the Group will, as circumstances deem necessary, pursue the application of the above clawback provisions to the extent permitted under local laws.

Compensation design

The Group's total compensation approach is comprised of fixed and variable incentive compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice, and fixed allowances for certain employees. Variable incentive compensation is awarded annually and is dependent on Group, divisional and individual performance. The percentage mix between fixed and variable incentive compensation varies according to the employee's seniority, business and location.

Variable incentive compensation for 2015 was awarded primarily in the form of cash, share-based awards and CCA. Share-based awards and CCA are deferred variable incentive compensation instruments that vest and settle in the future as described further below.

Base salaries

All employees are paid a base salary. Salary levels are based on the skills, qualifications and relevant experience of the individual, the responsibilities required by the role and external market factors.

Fixed Allowances

Fixed allowances are a component of fixed compensation awarded to certain PRA Code Staff and other employees identified as risk-takers under EU regulatory requirements. These fixed allowances are determined based on the role and organizational responsibility of the individuals. Subject to certain conditions, fixed allowances are deemed to be fixed compensation for the purposes of calculating the cap of variable incentive compensation as required by the CRD IV. Fixed allowances for 2015 were paid entirely in cash on a non-deferred basis.

Variable incentive compensation and deferral rates

For 2015, variable incentive compensation was paid in cash unless the total compensation awarded to an employee for 2015 was greater than or equal to CHF 250,000 or the local currency equivalent or USD 250,000 for employees whose total compensation is denominated in US dollars, in which case a portion was paid in cash and the balance was deferred, vesting at a later date. The deferred portion was defined by a deferral table whereby the portion of deferred compensation increased with higher levels of total compensation. To enable closer alignment with market practice and local variations, in 2015 two deferral tables were applied: one for the Americas and another for the rest of the world. The deferral rates for 2015 (other than for employees with fixed allowances) ranged from 17.5% to 60% of variable incentive compensation for employees located in the Americas, and 17.5% to 85% of variable incentive compensation for employees located elsewhere. Consequently, the overall level of variable incentive compensation deferred was lower than in 2014, which reduces the financial deferral of expenses for future years and facilitates a more flexible cost base. Consistent with 2014, the amount of variable incentive compensation paid in cash for 2015 was capped at CHF 2 million or the local currency equivalent (or USD 2 million for employees whose total compensation is denominated in US dollars) per employee. For 2015, 43,225 employees received variable incentive compensation, representing 89.7% of total employees, of which 835 were classified as MRTC.

> Refer to the table “Number of employees awarded variable incentive and other compensation” for further information.

Cash

Generally, employees receive the cash portion of their variable incentive compensation at a regular payroll settlement date close to the grant date.

Blocked share awards

To comply with CRD IV requirements, employees who hold key roles in respect of certain Group subsidiaries in the EU receive shares that are subject to transfer restrictions for 50% of the amount that would have been paid to them as cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for six months to three years from the date of grant, depending on location.

Deferred variable incentive compensation instruments

Share awards

Each share award entitles the holder of the award to receive one Group share at the delivery date. Share awards are designed to align the interests of employees and shareholders, as well as comply with the expectations of regulators that a substantial portion of variable incentive compensation should be granted in this form.

Share awards vest over three years with one third of the award vesting on each of the three anniversaries of the grant date (ratable vesting). The number of share awards granted was determined by dividing the value of the deferred component of the variable incentive compensation to be granted as share awards by the applicable share price of CHF 19.93, as approved by the Compensation Committee in January 2016. The final value of the share awards is solely dependent on the share price at the time of delivery. While share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividend equivalents upon vesting. This change in approach is aligned with market practice and ensures that deferred share awards granted to employees carry the same rights and are priced in the same manner as actual Credit Suisse Group AG registered shares. A total of 7,125 employees were granted share awards for 2015.

Performance share awards

Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to explicit performance-based malus provisions.

Performance share awards granted for 2015 are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2015, or a negative return on equity attributable to shareholders (ROE) of the Group, whichever results in a larger adjustment. For employees in the corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

Outstanding performance share awards granted in previous years are subject to a negative adjustment in the event of a negative strategic ROE of the Group, which is calculated based on Credit Suisse Core Results, adjusted for the goodwill impairment charge related to the re-organization of the former Investment Banking division. For 2015, the strategic ROE was positive and all divisions achieved positive pre-tax income results. Therefore, there was no negative adjustment applied to the performance share awards in 2015.

The amount of the potential negative adjustment for a loss at the divisional level, which is applicable to all outstanding performance share awards (including the STI awards of Executive Board members who lead business divisions), is shown in the following table.

Potential downward adjustments of performance share and STI awards

Downward adjustment if division incurs a loss

Division pre-tax loss (in CHF billion)	Adjustment on award balance (in %)
(1.00)	(15%)
(2.00)	(30%)
(3.00)	(45%)
(4.00)	(60%)
(5.00)	(75%)
(6.00)	(90%)
(6.67)	(100%)

As in the case of share awards, performance share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents, while performance share awards granted after January 1, 2016 include the right to receive dividend equivalents upon vesting. A total of 1,760 employees were granted performance share awards for 2015. Managing directors and almost all employees classified as MRTC received at least 50% of their deferred variable incentive compensation in the form of performance share awards.

Contingent Capital Awards (CCA)

CCA are a form of deferred award that have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market, such as the high-trigger contingent convertible capital instruments. CCA provide a

conditional right to receive semi-annual cash payments of interest equivalents; for CCA granted in January 2016, interest rate equivalents are paid until settlement at a rate of 4.23% per annum over the six-month Swiss franc >>>London Interbank Offered Rate (LIBOR) for Swiss franc-denominated awards or 5.41% per annum over the six-month US dollar LIBOR for US dollar-denominated awards. This rate was set in line with market conditions at the time of grant and with existing high-trigger and low-trigger contingent capital instruments that the Group has issued. CCA are not traded in the debt markets. Employees who were awarded compensation in Swiss francs received CCA denominated in Swiss francs, while employees who were awarded compensation in currencies other than Swiss francs received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from grant. However, because CCA qualify as going-concern loss-absorbing capital of the Group, the timing and form of distribution upon settlement is subject to approval by FINMA. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the >>>fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award currency denomination will be converted into the local currency of each respective employee.

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

– the Group's reported common equity tier 1 (CET1) ratio falls below 7%; or

– FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that the Group requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

These terms are similar to those of the outstanding tier 1 high-trigger capital instruments that the Group has issued since 2011. However, unlike the Group's outstanding tier 1 high-trigger instruments, the CCA would not convert into common equity, but would be written down to zero upon a trigger event.

The total CCA awarded for 2015 was CHF 226 million and a total of 5,789 employees received CCA for 2015.

Other awards

The Group may employ other compensation plans or programs to facilitate competitive hiring practices and to support the retention of talent. These variations from the standard approach apply to a small population of employees where specific circumstances justify special compensation arrangements. For 2015, this applied to approximately 236 employees. These variations from the standard approach must be approved by the Compensation Committee.

The Group also pays commissions to employees operating in specific areas of the business, in line with market practice. These commissions are calculated based on formulas, and are reviewed regularly to ensure that they remain at competitive levels.

Limitations on share-based awards

The Group prohibits employees from entering into transactions to hedge the value of outstanding share-based awards but allows employees to hedge awards that have already vested. Employee pledging of vested and unvested share-based awards is also prohibited, except with the express approval of the Compensation Committee. The Group generally applies minimum share ownership requirements, inclusive of unvested awards, as follows:

– Employees in divisional management committees: 50,000 shares; and

– Employees in functional management committees: 20,000 shares.

> Refer to "Minimum share ownership requirements" in Executive Board Compensation – Other aspects of Executive Board compensation for further information on minimum share ownership requirements for Executive Board members.

Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2015 and 2014.

Total compensation awarded

For			2015			2014
	Unrestricted	Deferred	Total	Unrestricted	Deferred	Total
Fixed compensation (CHF million)						
Salaries	5,714		5,714	5,417	89	5,506
Social security	788	–	788	793	–	793
Other	707[1]	–	707	657[1]	–	657
Total fixed compensation	**7,209**	**–**	**7,209**	**6,867**	**89**	**6,956**
Variable incentive compensation (CHF million)						
Cash	1,662		1,662	1,653		1,653
Share awards	12	549	561	36	642	678
Performance share awards	–	429	429	–	529	529
Contingent Capital Awards	–	226	226	–	360	360
Other cash awards	–	42	42	–	54	54
Total variable incentive compensation	**1,674**	**1,246**	**2,920**	**1,689**	**1,585**	**3,274**
Other variable compensation (CHF million)						
Cash severance awards	35	–	35	176	–	176
Cash-based commissions	222	–	222	220	–	220
Other [2]	27	195	222	13	58	71
	284	**195**	**479**	**409**	**58**	**467**

Total other variable compensation						
Total compensation awarded (CHF million)						
Total compensation awarded	**9,167**	**1,441**	**10,608**	**8,965**	**1,732**	**10,697**
of which guaranteed bonuses [3]	–	–	83	–	–	51

1
Includes pension and other post-retirement expense of CHF 359 million and CHF 361 million in 2015 and 2014, respectively.
2
Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.
3
Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Total compensation awarded for 2015 was CHF 10,608 million, down 1% compared to 2014, with lower variable incentive and other compensation partially offset by higher fixed compensation. Total variable incentive compensation awarded for 2015 was CHF 2,920 million, down 11% compared to 2014. The divisional pools for Global Markets and Investment Banking & Capital Markets decreased by more than 30%, a substantial reduction compared to 2014 levels, reflecting the weaker financial performance of these divisions for 2015 compared to 2014. Of the total variable incentive compensation awarded across the Group for 2015, 43% was deferred, compared to 48% in 2014, and subject to certain conditions including future service, performance, market and malus criteria. This reduction in deferral rates is part of an initiative to gradually reduce the amortization impact of deferred compensation on future financial years.

Cash severance awards relating to terminations of employment of CHF 106 million and CHF 189 million were paid in 2015 and 2014 to 760 and 1,552 employees, respectively. Other awards, including replacement awards, sign-on payments and retention awards, of CHF 222 million and CHF 71 million were paid to 925 and 216 employees in 2015 and 2014, respectively.

Number of employees awarded variable incentive and other compensation

	MRTC[1]	Other employees	2015 Total	MRTC[1]	Other employees	2014 Total
Number of employees awarded variable compensation						
Variable compensation	**835**	**42,390**	**43,225**	**801**	**41,008**	**41,809**
of which cash	602	42,346	42,948	801	41,008	41,809
of which share awards	802	6,323	7,125	789	6,794	7,583
of which performance share awards	783	977	1,760	764	988	1,752
of which Contingent Capital Awards	782	5,007	5,789	767	5,124	5,891
of which other cash awards	61	175	236	63	230	293
Number of employees awarded other variable compensation						
Cash severance awards	10	750	760	6	1,546	1,552[2]
Cash-based commissions	–	396	396	–	357	357
Guaranteed bonuses	7	177	184	9	129	138
Other[3]	50	875	925	13	203	216

1
Excludes individuals who may have been classified as MRTC according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Global Markets and Investment Banking & Capital Markets, who were classified as Covered Employees by the US Federal Reserve, and PRA Code Staff.
2
Includes employees who received cash severance awards for termination of employment as of December 31, 2014.
3
Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.

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Compensation awarded to Material Risk Takers and Controllers

The 835 employees classified as MRTC were awarded total compensation of CHF 1,396 million for 2015 and total variable incentive compensation of CHF 835 million for 2015, of which CHF 587 million, or 70%, was deferred. MRTC received 50% of their deferred compensation for 2015 in the form of performance share awards or other awards which are subject to performance-based malus provisions.

Compensation awarded to Material Risk Takers and Controllers

			2015			2014
For	Unrestricted	Deferred	Total	Unrestricted	Deferred	Total
Fixed compensation (CHF million)						
Total fixed compensation	**470**	**–**	**470**	**492**	**–**	**492**
Variable incentive compensation (CHF million)						
Cash	248	–	248	191	–	191
Share awards	–	176	176	–	278	278
Performance share awards	–	254	254	–	426	426
Contingent Capital Awards	–	104	104	–	191	191
Other cash awards	–	53	53	–	48	48
Total variable incentive compensation	**248**	**587**	**835**	**191**	**943**	**1,134**
Other variable compensation (CHF million)						
Cash severance awards	8	–	8	5	–	5
Cash-based commissions	–	–	–	–	–	–
Other [1]	2	81	83	–	13	13
Total other variable compensation	**10**	**81**	**91**	**5**	**13**	**18**
Total compensation (CHF million)						
Total compensation	**728**	**668**	**1,396**	**688**	**956**	**1,644**
of which guaranteed bonuses [2]	2	9	11	2	5	7

1

Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.

2

Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

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Group compensation and benefits expense

Compensation and benefits expenses recognized in the current year income statement include salaries, fixed allowances, variable incentive compensation, benefits and employer taxes on compensation. Variable incentive compensation expense mainly reflects the cash compensation for the current year, amortization of deferred compensation awards granted in prior years, and severance, sign-on and commission payments. Deferred variable incentive compensation granted for the current year is expensed in future periods during which it is subject to future service, performance, malus criteria and other restrictive covenants.

In 2015, total compensation and benefits expenses were 2% higher compared to 2014, mainly driven by higher fixed compensation expenses. Although variable incentive compensation awarded in 2015 decreased 11% compared to 2014, variable incentive compensation expense decreased by 1% compared to 2014 due to the impact of lower deferral rates in 2015.

Group compensation and benefits expense

in			2015			2014
December 31	Current compen- sation	Deferred compen- sation	Total	Current compen- sation	Deferred compen- sation	Total
Fixed compensation expense (CHF million)						
Salaries	5,714	37	5,751	5,417	18	5,435
Social security [1]	788	–	788	793	–	793
Other	707[2]	–	707	657[2]	–	657
Total fixed compensation expense	**7,209**	**37**	**7,246**	**6,867**	**18**	**6,885**
Variable incentive compensation expense (CHF million)						
Cash	1,662		1,662	1,653	–	1,653
Share awards	12	819[3]	831	36	921[3]	957
Performance share awards	–	563	563	–	611	611
Contigent Capital Awards	–	430	430	–	214	214
Capital Opportunity Facility Awards	–	16	16	–	13	13
Plus Bond awards	–	22	22	–	36	36
2011 Partner Asset Facility awards [4]	–	2	2	–	7	7
Restricted Cash Awards	–	39	39	–	92	92
Scaled Incentive Share Units [5]	–	–	–	–	(3)	(3)
2008 Partner Asset Facility awards [4]	–	34	34	–	87	87
Other cash awards	6	410	416	–	404	404
Discontinued operations	–	–	–	–	(8)	(8)
Total variable incentive compensation expense	**1,680**	**2,335**	**4,015**	**1,689**	**2,374**	**4,063**
Other variable compensation expense (CHF million)						
Severance payments	35	–	35	152	–	152
Commissions	222	–	222	221	–	221
Other	28	–	28	13	–	13
Total other variable compensation expense	**285**	**–**	**285**	**386**	**–**	**386**
Total compensation expense (CHF million)						
Total compensation expense	**9,174**	**2,372**	**11,546**[6]	**8,942**	**2,392**	**11,334**[6]

1

Represents the Group's portion of employees' mandatory social security.

2

Includes pension and other post-retirement expense of CHF 359 million and CHF 361 million in 2015 and 2014, respectively.

3

Includes CHF 25 million and CHF 19 million of compensation expense associated with replacement share awards granted in 2015 and 2014, respectively.

4

Includes the change in the underlying fair value of the indexed assets during the period.

5

Includes forfeitures.

6

Includes severance and other compensation expense relating to headcount reductions of CHF 89 million and CHF 275 million in 2015 and 2014, respectively.

Group estimated unrecognized compensation expense

The following table shows the estimated compensation expense that has not yet been recognized through the income statement for deferred compensation awards granted for 2015 and prior years that were outstanding as of December 31, 2015, with comparative information for 2014. These estimates were based on the fair value of each award on the grant date, taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

Group estimated unrecognized compensation expense

in	Deferred compensation		2015	Deferred compensation		2014
	For 2015	For prior-year awards	Total	For 2014	For prior-year awards	Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	521	573[1]	1,094	643	762[1]	1,405
Performance share awards	386	165	551	533	231	764
Contingent Capital Awards	259	230	489	418	210	628
Capital Opportunity Facility awards	–	–	–	–	5	5
Plus Bond awards [2]	–	–	–	–	4	4
Adjustable Performance Plan share awards	–	–	–	–	–	–
Adjustable Performance Plan cash awards	–	–	–	–	–	–
Restricted Cash Awards	–	–	–	–	41	41
Other cash awards	42	176	218	55	166	221
Estimated unrecognized compensation expense	**1,208**	**1,144**	**2,352**	**1,649**	**1,419**	**3,068**

1

Includes CHF 59 million and CHF 39 million of estimated unrecognized compensation expense associated with replacement share awards granted to new employees in 2015 and 2014, respectively, not related to prior years.

2

Represents share awards reallocated to Plus Bond awards through the employee voluntary reallocation offer, with vesting in 2016, after consideration of estimated future forfeitures.

> Refer to “Discontinued compensation plans” for descriptions of the awards granted in years prior to 2014.

Impact of share-based compensation on shareholders’ equity

In general, the income statement expense recognition of share-based awards on a pre-tax basis has a neutral impact on shareholders’ equity because the reduction to shareholders’ equity from the expense recognition is offset by the obligation to deliver shares, which is recognized as an increase to equity by a corresponding amount. Shareholders’ equity includes, as additional paid-in capital, the tax benefits associated with the expensing and subsequent settlement of share-based awards.

Prior to 2011, the Group covered its share delivery obligations to employees primarily by purchasing shares in the market. When the Group purchases shares from the market to meet its share delivery obligations, these purchased shares reduce equity by the amount of the purchase price.

For the period 2011-2013, share delivery obligations were covered mainly through issuances of shares from conditional capital. In the second half of 2013, the Group resumed purchasing shares in the market to cover a portion of its share delivery obligations. In 2014 the majority of the Group’s share delivery obligations was covered through market purchases and in 2015 share delivery obligations were fully covered through market purchases. Currently, the Group intends to cover its future share delivery obligations through market purchases or through the utilization of available conditional capital.

Share-based awards outstanding

At the end of 2015, there were 136.2 million share-based awards outstanding, including 80.3 million share awards and 55.9 million performance share awards.

Holders of all forms of outstanding and unsettled share-based awards were not eligible to participate in the rights offering approved on November 19, 2015, since the rights were only issued in connection with Credit Suisse Group AG registered shares. Consistent with the terms of the Credit Suisse Group AG Master Share Plan, the number of outstanding deferred share-based awards held by each individual was increased by 2.89% to compensate for the proportionate dilution of Credit Suisse Group AG registered shares resulting from the rights offering. The terms and conditions of the adjusted shares were the same as the existing share-based awards.

Subsequent activity

In early 2016, the Group granted approximately 28.8 million new share awards and 21.3 million new performance share awards with respect to performance in 2015. Further, the Group awarded CHF 226 million of deferred variable incentive compensation in the form of CCA pursuant to the Group's compensation policy.

In the first half of 2016, the Group plans to settle 62.2 million deferred awards from prior years, including 35.3 million share awards and 25.6 million performance share awards. The Group plans to meet this delivery obligation through market purchases or through the utilization of available conditional capital.

> Refer to "Regulatory capital and ratios" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – BIS Capital Metrics for more information.

Value changes of outstanding deferred awards

Employees experience changes to the value of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market driven effects, such as changes in the Group share price, changes in the value of the Capital Opportunity Facility (COF), the 2008 Partner Asset Facility (PAF), CCA and underlying Plus Bond assets or foreign exchange rate movements. Explicit value changes reflect risk adjustments triggered by malus provisions related to negative performance in the performance share awards or the malus provisions in all deferred awards. The final value of an award will only be determined at settlement.

> Refer to "Discontinued compensation plans" for further information on COF, CCA, Plus Bond and PAF.

The following table provides a comparison of the fair values of outstanding deferred compensation awards at the end of 2014 and 2015, indicating the value of changes due to implicit and explicit adjustments. For 2015, the change in fair value for the outstanding deferred compensation awards was due to implicit adjustments driven primarily by changes in the Group share price, foreign exchange rate movements and changes in the value of CCA and Plus Bond assets.

Fair value of outstanding deferred compensation awards

		Change in value		
in / end	2014	Implicit	Explicit	2015
Share-based awards (CHF per unit)				
Share awards granted for 2012 [1]	25.1	(3.4)	0.0	21.7
Share awards granted for 2013 [2]	25.1	(3.4)	0.0	21.7
Share awards granted for 2014 [3]	16.9	4.8	0.0	21.7
Performance share awards granted for 2012 [1]	25.1	(3.4)	0.0	21.7
Performance share awards granted for 2013 [2]	25.1	(3.4)	0.0	21.7
Performance share awards granted for 2014 [3]	16.9	4.8	0.0	21.7
Cash-based awards (CHF per unit)				
2008 Partner Asset Facility awards (PAF)	2.40	0.06	0.00	2.46
Plus Bond awards granted for 2012 [1]	1.42	0.18	0.00	1.60
Contingent Capital Award for 2013 [2]	1.11	0.08	0.00	1.19
Contingent Capital Award for 2014 [3]	1.00	0.26	0.00	1.26
Contingent Capital Award from converted PAF2 award	1.13	0.05	0.00	1.18
Capital Opportunity Facility from converted PAF2 award	1.16	0.07	0.00	1.23

1

Represents awards granted in January 2013 for 2012.

2

Represents awards granted in January 2014 for 2013.

3

Represents awards granted in January 2015 for 2014.

Executive Board compensation

During 2015 there were significant changes to the composition of the Executive Board, with five individuals stepping down and seven individuals becoming Executive Board members. Moreover, in pursuit of a rebalanced business strategy, Credit Suisse announced on October 21, 2015 a substantially revised management and financial reporting structure. Consequently, the previous basis for determining Executive Board compensation, which was based largely on Group and divisional performance against pre-determined targets, could not be applied for the full year. Modifications to the basis for determining variable incentive compensation for 2015 were required, and different approaches were applied to different Executive Board members depending on the amount of time they served on the Executive Board during 2015. This resulted in four categories of Executive Board members and the approaches to determining their respective variable incentive compensation levels are summarized in the table below "Overview of approaches to variable incentive compensation determination in 2015".

In response to shareholder requests that the Group's new strategic direction and communicated financial goals be fully reflected in compensation arrangements for the Executive Board, the Compensation Committee initiated a review of the existing compensation design and agreed upon appropriate amendments. Consequently, 2015 also represents a transition period between the compensation structure envisaged in the 2014 Annual Report and the new compensation structure that will be fully implemented for the 2016 performance year. The awards granted for 2015 will include the previous form of STI awards based on the performance during 2015. No LTI awards will be granted for the 2015 transition year. LTI awards are being granted in 2016 in a new form that is not determined by past performance, rather, the amounts ultimately payable will be based on future performance outcomes measured against pre-determined targets over a period of three years from the date of grant, followed by vesting and delivery in three installments over two years on the third, fourth and fifth anniversaries of the grant date. This is to ensure that long-term incentive opportunities of the Executive Board are closely tied to the realization of the new strategic plan and the achievement of the communicated financial goals. The new LTI award is described in more detail in a later section.

>Refer to the chart "Overview of Long-Term Incentive Awards" and "Types of awards" for more details on LTI awards.

All variable incentive compensation recommendations are subject to approval of the Board and are submitted to shareholders as aggregate numbers per proposal for their binding votes at the AGM in April 2016.

Performance evaluation and compensation decisions for 2015

In January 2016, the Compensation Committee completed its performance evaluation for 2015 for the Group, and the individual assessments of the Executive Board members. Depending on the Executive Board member's length of service on the Executive Board, the overall Group financial results were taken into account either by means of the financial performance evaluation against pre-determined targets, or a qualitative assessment in light of business performance, or both.

Individuals who were Executive Board members during the entire year of 2015

Financial performance evaluation under the previous divisional structure for the first nine months of 2015

For the five individuals who were Executive Board members during the entire year of 2015, variable incentive compensation was determined based on pre-determined financial targets under the previous organizational structure until the end of the third quarter of 2015, as well as a qualitative assessment of performance. At the Group level, ROE for the strategic businesses was 10.8%, above the target of 10.5%, while the Group's strategic cost/income ratio for the nine-month period was 75.7% compared to the target of 73.3%. Excluding the impact of revenue gains from movements in the fair value on own debt of CHF 995 million, the non-strategic businesses recorded a pre-tax loss of CHF 1.9 billion on an annualized basis, compared to the target pre-tax loss of CHF 2.2 billion. In terms of capital reduction targets for the non-strategic businesses, the Group achieved a 28% reduction in risk-weighted assets and a 47% reduction in leverage exposure on an annualized basis, compared to the average year-on-year reduction target of 50%.

In the former Private Banking & Wealth Management division, the cost/income ratio for the nine-month period was 71.6% compared to a target of 69.2%. The non-strategic unit within the Private Banking & Wealth Management division recorded a pre-tax loss of CHF 0.4 billion on an annualized basis, compared to the breakeven pre-tax income target. In terms of capital, the non-strategic unit within Private Banking & Wealth Management reduced risk-weighted assets by 33% and leverage exposure by 27% on an annualized basis, compared to the average year-on-year reduction target of 50%.

The former Investment Banking division achieved a return on regulatory capital of 7.7% for the nine-month period compared to a target of 9.1%, reflecting lower fixed income and underwriting revenues and the challenging market conditions. The non-strategic unit within Investment Banking recorded a pre-tax loss for the period of USD 1.2 billion on an annualized basis, which was a better result than the pre-tax loss target of USD 1.3 billion. In terms of capital reduction targets, the Investment Banking's non-strategic unit ended the third quarter with a 23% reduction in risk-weighted assets and a 48% reduction in leverage exposure on an annualized basis, compared to the average year-on-year reduction target of 50%.

Overall, the corporate functions were in line with their expense targets for the period.

Overall financial performance and qualitative assessment

The fourth quarter results were impacted by extremely challenging market conditions, as well as significant items such as the goodwill impairment charge triggered by the organizational changes affecting the former Investment Banking division, restructuring costs and litigation provisions. As a result, the financial performance for the full year 2015 was below expectations. Notwithstanding the foregoing, the new Asia Pacific division achieved strong underlying performance as well as net new assets of CHF 17.8 billion. In the Private Banking business within the International Wealth Management division, mandates penetration (i.e., advisory and discretionary mandates as a percentage of assets under management, excluding assets under management from the external asset manager business), increased to 30% for 2015, up from 23% in 2014, driven by the successful execution of key strategic initiatives. The Swiss Universal Bank delivered solid results for 2015, with strong net new assets of CHF 13.8 billion and mandates penetration of 26%, up from 15% in 2014. In terms of the qualitative assessment, the Compensation Committee acknowledged, in particular, the significant individual contributions during the strategic review process and subsequently during the implementation of the new strategic direction. This included the timely alignment of financial reporting to the new management structure as the basis for the fourth quarter of 2015 earnings release and the 2015 Annual Report, as well as preventing undue staff attrition by diligently handling employee relations issues which typically arise during transition periods that involve considerable organizational and management change.

Taking into account the financial performance and qualitative assessment for the full year, the Compensation Committee recommended for this group of Executive Board members, variable incentive compensation for 2015 granted in the form of STI awards (including cash and deferred awards) that was on average 40% below the value of

STI awards granted with respect to the prior year. This reflected the weaker profitability indicators for 2015 overall, which were substantially impacted by underperformance in the fourth quarter of 2015.

9M15 performance against targets (applicable to full year members)
Individuals who joined Credit Suisse during 2015 and were appointed to the Executive Board during 2015
For the three individuals who joined Credit Suisse as new employees and were appointed to the Executive Board in 2015, variable incentive compensation was determined by the Compensation Committee, based on performance assessments provided by the CEO which took into account individual contributions and the performance of the overall Group during 2015. The variable incentive compensation recommendation for the CEO with respect to his period in office during 2015 was determined by the Compensation Committee, based on an assessment of his performance conducted by the Chairman of the Board. Notwithstanding the successful implementation of the new management structure that was announced on October 21, 2015, the variable incentive compensation awarded to the Executive Board members who joined Credit Suisse during 2015 was, in aggregate, below target levels, in consideration of the weaker performance of the Group overall in the fourth quarter of 2015.
In addition, Mr. Thiam and Mr. Goerke were granted replacement awards with an aggregate value of CHF 16.2 million as of the date of grant, in the form of deferred share awards to compensate them for the fair value of their deferred awards that were cancelled by their previous employer as a consequence of them joining Credit Suisse during 2015. Deferral periods for the replacement awards mirror the respective terms at the previous employer. In the case of Mr. Thiam, the vesting will take place in 2016, 2017 and 2018.
Individuals who were already employees prior to 2015 and were promoted to the Executive Board during 2015
For existing employees who were promoted to the Executive Board during 2015, the performance assessment of the individual members and determination of variable incentive compensation for the first nine months of the year was based on pre-existing objectives, pursuant to the annual performance appraisal process for employees who do not hold Executive Board positions. For the fourth quarter period, the CEO proposed a level of variable incentive compensation based on a qualitative assessment of each individual's performance, with due consideration to the financial performance of the business for the fourth quarter of 2015 and individual contributions as applicable. The variable incentive compensation awarded to these Executive Board members for 2015 was lower than their own prior year awards, reflecting the lower performance of all divisions and the Group during 2015 compared to 2014.
Individuals who ceased to be Executive Board members during 2015
The variable incentive compensation paid to the individuals who left the Executive Board during 2015 was negotiated on a case by case basis in separation agreements, taking into account the performance

of the business and individual contributions. The variable incentive compensation paid to the five departing members, including the former CEO, was determined at the time the individuals ceased to be members of the Executive Board, and totaled CHF 21.0 million, awarded in the form of deferred cash, CCA and deferred share awards. In addition to the amounts disclosed in the table below, individuals who stepped down from the Executive Board during 2015 and subsequently assumed a new role within the Group received in 2015 aggregate compensation of CHF 4.5 million for the period from the time they ceased to be Executive Board members until December 31, 2015. The Group plans to continue to disclose subsequent payments to former Executive Board members, including those related to non-compete arrangements pursuant to the Group's AoA.

2015 total compensation of the CEO and highest paid Executive Board member

In its recommendation to the Board regarding variable incentive compensation for the CEO Mr. Thiam, the Compensation Committee, in consultation with the Chairman, considered his excellent contribution since joining the firm, including the design and implementation of a new management structure, strengthening of the capital base of the Group and the design of a new strategy with the goals of further increasing the capital base, rebalancing the businesses and returning capital to shareholders. Notwithstanding these achievements, Mr. Thiam requested that his target level of compensation discussed at the time he joined Credit Suisse be reduced by 40%, given the weaker financial performance of the Group during 2015. The Board approved the recommendation of the Compensation Committee to reduce the variable incentive compensation award to Mr. Thiam per his request and despite his excellent performance. A total STI award of CHF 2.86 million, composed of 40% cash and 60% CCA vesting on the third anniversary of the grant date, was awarded to Mr. Thiam for his time of employment from June 22, 2015 to December 31, 2015.

The highest paid Executive Board member in 2015 was Robert Shafir, who was a member of the Executive Board from January 1, 2015 to October 21, 2015. For 2015, Mr. Shafir was awarded a total STI award of CHF 6.3 million, composed of 50% cash and 50% CCA vesting on the third anniversary of the grant date. In determining this level of award, the Compensation Committee took into account the contribution made by Mr. Shafir to the Group during his roles as both Co-Head of the former Private Banking & Wealth Management division and CEO for the Americas region. The Compensation Committee also recognized the support that he provided to establish the new strategy for the Group and the execution of an agreement to transfer the US domestic private banking business to Wells Fargo.

Executive Board compensation for 2015 (audited)

	Variable compensation			Fixed compensation				
in	STI awards (Cash)	STI awards (Deferred)[1]	Total variable compen-sation	Salaries and fixed allowances	Dividend equivalents[2]	Pension and similar benefits and other benefits[3]	Total fixed compen-sation	Total compen-sation[4,5]
2015 (CHF million, except where indicated; does not include replacement awards)								
17 members	13.93	20.65	**34.58**	27.87	0.51	1.23	**29.62**	**64.20**
% of total compensation	22%	32%		43%				
of which joiners and leavers during 2015 (12 individuals)	11.41	16.42	**27.83**	15.27	0.28	0.64	**16.19**	**44.02**
% of total compensation	26%	37%		35%				
of which highest paid: Rob Shafir	3.15	3.15	**6.30**	1.54	0.03	0.01	**1.58**	**7.88**
% of total compensation	40%	40%		20%				
of which CEO: Tidjane Thiam	1.14	1.71	**2.86**	1.58	–	0.13	**1.71**	**4.57**
	25%	38%		35%				

% of total
compensation

1
STI awards for 2015 comprise CHF 11.4 million Contingent Capital Awards, CHF 8.7 million performance shares as well as CHF 0.55 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including an Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 19.93.

2
Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in cash, consistent with dividends paid on actual shares.

3
Other benefits consist of housing allowances, expense allowances and relocation allowances. For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 5.8 million in 2015 and CHF 4.3 million in 2014 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

4
For the individuals who joined the Executive Board and the individuals who left the Executive Board during 2015, compensation relating to the period during which they were members of the Executive Board is included in the table above. Compensation for Mr. Thiam includes compensation relating to the period from June 22, 2015 to December 31, 2015; compensation for Mr. Shafir relates to the period from January 1, 2015 to October 21, 2015.

5
Replacement awards in the form of share awards were granted to Mr. Thiam and Mr. Goerke with the value at grant of CHF 14.3 million and CHF 1.9 million, respectively, to compensate them for the cancellation of deferred awards by their previous employer. Valued at the closing share price of CHF 14.21 on March 17, 2016, the replacement awards amount to CHF 9.6 million and CHF 1.1 million, respectively. These one-time replacement awards do not form part of the compensation in the table above. Considering these payments with their value at grant, the total compensation of the Executive Board and the CEO in 2015 amounted to CHF 80.4 million and CHF 18.9 million, respectively.

Executive Board compensation for 2014 (audited)

	Variable compensation				Fixed compensation				
in	Cash	Value of STI awards	Value of LTI awards[1]	Total variable compen-sation	Salaries and fixed allowances	Dividend equivalents[2]	Pension and similar benefits and other benefits[3]	Total fixed compen-sation	Total compen-sation[4]
2014 (CHF million, except where indicated)									
11 members	7.94	13.98[5]	17.18	**39.10**	19.45	2.98	2.53	**24.96**	**64.06**
% of total compensation	12%	22%	27%		30%				
of which CEO: Brady W. Dougan	1.52	2.28	3.05	**6.85**	2.50	0.32	0.03	**2.85**	**9.70**
% of total compensation	16%	24%	31%		26%				

1
The LTI awards are net of CHF 4.7 million as part of the voluntary downward adjustment to the Executive Board compensation awards for 2014 resulting from the final settlement of all US cross-border matters. These awards vest over a five-year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at settlement depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average strategic return on equity.

2
Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in cash, consistent with dividends paid on actual shares.

3
Other benefits consist of housing allowances, expense allowances, child allowances and a carried interest award in certain alternative investment funds with a fair value at the time of grant of CHF 1.8 million awarded to Robert S. Shafir. The initial value of this award is determined by making assumptions about the return that will be realized on the funds over their lifetime of up to fifteen years. For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 4.3 million in 2014 and CHF 4.7 million in 2013 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

4
Does not include CHF 8.6 million of charitable contributions made by the Group for the allocation of which the CEO and three other Executive Board members were able to make recommendations.

5
STI awards for 2014 comprise CHF 13.15 million performance shares as well as CHF 0.83 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including an Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 20.21.

Compensation structure in 2015

The annual 2015 base salary was CHF 3.0 million for the CEO, CHF 2.0 million or the equivalent amount in local currency for Executive Board members based in Switzerland and Singapore, and USD 2.0 million for Executive Board members based in the US and the UK. Individuals who were appointed to the Executive Board during 2015 received a base salary at these levels on a pro-rata basis with effect from the time of appointment to the Executive Board. Base salaries and fixed allowances paid in 2015 are fully in line with the overall amount of fixed compensation approved by the shareholders for members of the Executive Board at the 2015 AGM.

Three of the individuals who served on the Executive Board during part or all of 2015 were PRA Code Staff for 2015. A portion of their compensation was awarded as a fixed allowance, which was taken into consideration when variable incentive compensation was determined.

Under the compensation structure envisaged in the 2014 Annual Report, variable incentive compensation for Executive Board members was to be awarded in the following components:

– 50% as STI awards in the form of immediate cash as well as CCA vesting on the third anniversary of the grant date;
– 50% as LTI awards in the form of share awards, vesting on the third, fourth and fifth anniversaries of the grant date, subject to pre-determined performance vesting conditions.

However, under the redesigned compensation structure as outlined below, only the STI award will be linked to the performance of the preceding financial year. Accordingly, 50% of variable incentive compensation that would have been otherwise awarded based on the financial and non-financial performance assessment for 2015 was granted as STI awards for the Executive Board members serving in 2015. The components of the STI awards are 40% immediate cash awards and 60% CCA awards vesting on the third anniversary of the grant date. For PRA Code Staff and individuals who ceased to be members of the Executive Board during 2015, a portion of their STI awards was granted in the form of deferred performance share awards. Unrelated to the financial performance in 2015, it is proposed to grant members of the Executive Board serving in 2016 LTI awards in the new form aligned with the Group's new strategic direction and subject to future performance metrics as defined for the three full year period from 2016 to 2018, followed by phased vesting and delivery in three installments over two years on the third, fourth, and fifth anniversaries of the grant date.

> Refer to the chart "Overview of Long-Term Incentive Awards" and "Types of awards" for more details.

Although the overall cap on total Executive Board incentive compensation of 2.5% of strategic Group net income envisaged in the 2014 Annual Report was not a constraint in 2015, this cap was not applied given the changes to the Group's organizational structure. Under the redesigned compensation structure, the overall cap will no longer be applicable.

Redesigned compensation structure and new awards in 2016

As indicated above, material amendments have been made to the Executive Board compensation design in order to reflect the new organizational structure of Credit Suisse, the revised objectives set by the new management and shareholders' feedback. For 2016, base salaries will be kept at the same levels as set in the previous year, however the method of determining variable incentive compensation levels and the form of the awards to be granted have been redesigned to provide a more direct link between pay and performance, with compensation awarded based on the achievement of strategic targets. Previously, the total level of variable incentive compensation was first determined by the preceding year's performance assessment, subject to caps expressed as a multiple of base salary, and the amount determined would then be divided and granted in the form of various awards. Under the new structure, the variable incentive compensation opportunity with respect to each individual Executive Board member will be clearly pre-defined and communicated based on market competitive compensation for the role. The variable incentive compensation will be awarded in the form of a short-term incentive opportunity (STI Opportunity) and a long-term incentive opportunity (LTI Opportunity). Each component is expressed as a percentage of base salary, and the maximum payout in each case may not exceed 100% of the opportunity. Due to the importance of achieving the firm's long-term business objectives, approximately two-thirds of total variable incentive compensation will be granted as LTI awards in the form of deferred share awards as described further below.

The combined maximum opportunity of the STI and LTI will be below the maximum payout levels that were achievable under the previous structure. Under the 2016 structure, the combined STI Opportunity and LTI Opportunity for the CEO is a multiple of four times base salary, and the maximum variable incentive compensation plus base salary is CHF 15.0 million, as shown in the table "2016 Executive Board compensation structure". Under the previous structure, the maximum aggregate cap on variable incentive compensation for the CEO was a multiple of six times base salary, equivalent to a maximum variable incentive compensation plus base salary of CHF 17.5 million, as shown in the table "Executive Board compensation under the previous organizational structure (as envisaged in the 2014 Annual Report)". Similarly for Executive Board members, the combined STI and LTI opportunity levels range from two to five and a half times base salary depending on the member's role and function, and the maximum variable incentive compensation plus base salary is CHF 13.0 million, compared to CHF 15.9 million under the previous structure.

2016 Executive Board compensation structure

	Executive Board members				CEO			
	Range of opportunity levels (multiple of base salary)	Base salary (CHF million)	Maximum variable incentive compen-sation (CHF million)	Maximum total compen-sation (CHF million)	Max opportunity (multiple of base salary)	Base salary (CHF million)	Maximum variable incentive compen-sation (CHF million)	Maximum total compen-sation (CHF million)
Short-term incentive award (includes cash salary)	0.75 – 2.25	2.00	4.50	6.50	1.50	3.00	4.50	7.50
Long-term incentive award	1.25 – 3.25	–	6.50	6.50	2.50	–	7.50	7.50
Total	**2.00 – 5.50**	**2.00**	**11.00**	**13.00**	**4.00**	**3.00**	**12.00**	**15.00**

Executive Board compensation under the previous organizational structure (as envisaged in the 2014 Annual Report)

	Executive Board members				CEO			
	Range of cap levels (multiple of	Base salary (CHF million)	Maximum variable incentive compen-sation (CHF million)	Maximum total compen-sation (CHF million)	Cap level (multiple of	Base salary (CHF million)	Maximum variable incentive compen-sation (CHF million)	Maximum total compen-sation (CHF million)

	base salary)				base salary)			
Cash	0.40 – 1.30	1.50	1.95	3.45	0.80	2.50	2.00	4.50
Short-term incentive award	0.60 – 1.90	–	2.85	2.85	1.20	–	3.00	3.00
Long-term incentive award [1]	2.00 – 6.40	–	9.60	9.60	4.00	–	10.00	10.00
Total	**3.00 – 9.60**	**1.50**	**14.40**	**15.90**	**6.00**	**2.50**	**15.00**	**17.50**

1
For the previous LTI awards, the amount payable at vesting of each installment was subject to an overall cap of 200% of the initial LTI award value.
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Target and maximum opportunity levels are determined based on benchmark market levels of compensation for each role provided by the external compensation adviser, McLagan, in December 2015. The actual payout levels for each component will be determined by threshold, target and maximum pay levels which are directly linked to performance criteria and targets, further emphasizing the principle of "pay for performance". Whereas the STI award is based on past year performance and designed to reward the achievement of annual objectives, the LTI award is structured to reward the achievement of the long-term business plan, providing closer alignment with the long-term target returns of shareholders. Accordingly, the LTI award is subject to performance vesting over three financial years (performance cycle) followed by delivery in three installments over two years on the third, fourth and fifth anniversaries of the grant date. The final payout levels of the STI award are determined by a combination of quantitative and qualitative criteria as approved by the Board at the beginning of the financial year, whereas the final payout amount of the LTI award is based on a combination of Total Shareholder Return (TSR) as a market-determined metric and internal key performance metrics, measured over a three-year period. In the interest of transparency and in order to allow shareholders to assess the relationship between performance and pay, the pre-determined targets for the STI and LTI awards and the actual achievements against such targets will be disclosed in the Compensation Report at the end of the respective performance cycles. Further details on the elements of the STI and LTI awards are provided in the tables "Overview of 2016 Short-Term Incentive Awards" and "Overview of Long-Term Incentive Awards" below, and in the section "Types of awards". These elements apply to all Executive Board members, except to one member, who is considered PRA Code Staff and subject to the regulations of the PRA and the European Banking Authority (EBA). Accordingly, adjustments will be made to the compensation structure with respect to this Executive Board member in order to comply with the rules and requirements of the PRA and EBA.

Utilization of Executive Board compensation approved at the 2015 AGM

At the 2015 AGM, shareholders approved an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2015 AGM to the 2016 AGM of no more than CHF 32 million. Fixed compensation includes base salaries, fixed allowances, dividend equivalents, pension and similar benefits, as well as any replacement awards granted to new Executive Board members during this period. In line with the Compensation Ordinance and as specified in the AoA, a further 30% of this approved amount, or CHF 9.6 million, may be paid as fixed compensation to new Executive Board members. Of this additional amount, CHF 2.2 million was used to fund a portion of the replacement award granted to Peter Goerke and salary paid to Tidjane Thiam. By the time of the 2016 AGM, a total of CHF 34.2 million will have been paid to Executive Board members, of which CHF 22.5 million relates to the individuals who were members of the Executive Board at the time of the 2015 AGM, and CHF 11.7 million relates to individuals who became members of the Executive Board during 2015.

Executive Board compensation proposed for approval at the 2016 AGM

Pursuant to the Compensation Ordinance and the AoA, the AGM approves on an annual basis the compensation of the Executive Board, based on a proposal by the Board. The Board may propose that a maximum aggregate amount or maximum partial amounts of compensation components for the Executive Board be approved at the AGM in advance or retroactively for the defined period described in the proposal. Accordingly, the Board will submit the following proposals to the shareholders at the 2016 ordinary AGM:

Approval of the Executive Board aggregate short-term incentive compensation for the 2015 financial year

The Board proposes that the shareholders approve an aggregate amount of STI compensation to be awarded to members of the Executive Board for the financial year 2015 of CHF 34.58 million. The total amount is comprised of cash, CCA and deferred share awards and reflects the performance achieved for 2015, as specified in the sections "Performance evaluation and compensation decisions for 2015". The proposed amount excludes any legally required employer contributions to social security systems.

Approval of the Executive Board aggregate fixed compensation for the period from the 2016 AGM to the 2017 AGM

The Board proposes to approve an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2016 AGM to the 2017 AGM of no more than CHF 33.0 million. The total amount of fixed compensation is comprised of base salaries, fixed allowances for members of the Executive Board qualifying as PRA Code Staff, dividend equivalents (payable for unvested deferred share awards granted before 2014 only), and pension and similar benefits. The proposed amount excludes any legally required employer contributions to social security systems.

Approval of the Executive Board aggregate long-term incentive compensation for 2016

The Board proposes that the shareholders approve an aggregate amount of LTI compensation to be granted to members of the Executive Board for the 2016 financial year of no more than CHF 49.0 million. The total amount is comprised of deferred LTI awards subject to performance measurement over the financial years 2016, 2017 and 2018, followed by two years of phased vesting and delivery in three installments on the third, fourth and fifth anniversaries of the grant date, as specified in the section "Redesigned compensation structure and new awards in 2016" and the chart " Overview of Long-Term Incentive Awards".

Types of awards

2015 Short-Term Incentive (STI) Cash Awards

STI cash awards are payable in cash after grant. The awards are intended to recognize the Executive Board members' performance for the most recent prior year.

2015 Short-Term Incentive (STI) Deferred Awards

The deferred component of STI awards granted with respect to performance for 2015 was in the form of CCA and performance share awards.

> Refer to "Contingent Capital Awards (CCA)" and "Performance share awards" in Group compensation – Compensation design – Deferred variable incentive compensation instruments for a detailed description of CCA and performance share awards.

2016 Short-Term Incentive (STI) Awards

From 2016 onwards, the STI Opportunity represents the maximum amount payable, and the final amount paid out is based on quantitative and qualitative performance compared to pre-determined objectives. The quantitative criteria will be based on Group targets for the CEO and functional heads, and a combination of Group and divisional targets for divisional heads. Quantitative criteria will account for 70% of the performance assessment, while the remaining 30% weighting will be based on qualitative criteria. For each of the quantitative and qualitative criteria, the Board has approved "Threshold", "Target" and "Maximum" achievement levels for the 2016 financial year, corresponding with payouts of 25%, 80% and 100% of the maximum opportunity amount, respectively. The STI award will be granted in the form of a full cash award, with 50% immediate payment and 50% deferred cash vesting on the third anniversary of the grant date. Further details are shown in the chart "Overview of 2016 Short-Term Incentive Awards" above.

For Executive Board members who are regarded as PRA Code staff, a portion of the STI Cash Awards payable at grant are awarded in the form of Credit Suisse Group AG registered shares, subject to a blocked period of six months, and a portion of the deferred STI Awards may be granted as share awards to ensure that the compensation granted is compliant with the regulatory requirements.

2016 Long-Term Incentive (LTI) Awards

The new form of the LTI Opportunity is structured to reward the achievement of the long-term business plan and the long-term target returns for shareholders. The initial size of the LTI Opportunity is determined at a level that, when combined with the base salary and STI Opportunity for the same calendar year, represents a competitive level of total compensation for the role of the particular Executive Board member in line with market levels. The initial LTI Opportunity will be defined as a number of Credit Suisse Group shares calculated on the basis of the Credit Suisse Group share price at the time of grant. The subsequent payout of the LTI award will be based on performance outcomes over a period of three years from the year of grant. The distribution of the award takes place on the third, fourth and fifth anniversaries of the grant date.

The performance metrics and payout at various levels of performance are detailed in the chart "Overview of Long-Term Incentive Awards" above. For all Executive Board members, vesting and payout of LTI awards is subject to performance against four Group level metrics, i.e., TSR, CET1 ratio, CET1 leverage ratio, and a cost target. These four metrics represent an 80% weighting. For the CEO and functional heads, the remaining 20% weighting is based on

operating free capital generated. For divisional heads, the operating free capital generated metric is replaced by metrics specific to their division, i.e., adjusted pre-tax income, risk-weighted assets, leverage exposure, and adjusted return on capital, which form the remaining 20% weighting. Adjusted results are non-GAAP financial measures that exclude Strategic Resolution Unit activities, goodwill impairment, restructuring expenses, real estate transactions, deconsolidation, business sales, significant litigation expenses and the impact from fair value on own debt. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation.

In terms of the TSR metric, a group of 18 peers have been chosen based on size, geographic scope and business mix, to provide the benchmark for comparison of performance. This group consists of Banco Santander, Bank of America, Barclays, BBVA, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, ING Group, Intesa Sanpaolo, JPMorgan Chase, Julius Bär, Morgan Stanley, Nordea Bank, Royal Bank of Scotland, Société Générale, Standard Chartered, and UBS. Relative TSR will be measured

based on a ranked approach and a payout level of 100% requires a Credit Suisse Group TSR ranking within the top four of the peer group, whereas a ranking of eight to ten would result in a payout level of 50%.
> Refer to the "Payout levels (TSR)" in the chart "Overview of Long-Term Incentive Awards" for more details on payout levels with respect to rankings.
For each of the internal financial targets at Group and divisional level, the Board has approved "Threshold", "Target" and Maximum" achievement levels over the 2016-2018 performance cycle, which would result in payouts of 25%, 80%, and 100% of the maximum opportunity amount, respectively.

Malus and clawback provisions

All deferred compensation awards of Executive Board members are subject to the same malus provisions as other employees. All variable incentive compensation granted to PRA Code Staff is also subject to clawback.
>Refer to "Malus provisions" and "Clawback provisions" in Group compensation for more information.

Other aspects of Executive Board compensation

Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board as follows:
– CEO: 350,000 shares; and
– Other Executive Board members: 150,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share-based awards. All affected executive employees are restricted from selling shares, or from receiving their share-based awards in the form of cash, until they fulfill the minimum share ownership requirements. The Group prohibits all employees from entering into transactions to hedge the value of vested and unvested share-based awards. Pledging of unvested deferred awards by Executive Board members is also not permitted unless expressly approved by the Compensation Committee.

Cash settlement of share awards

The terms of all past and future share-based awards granted to the Executive Board were amended in 2014 to enable election of settlement in cash or shares. The Executive Board members are permitted to elect, at a predefined date in advance of settlement, to receive their vested share-based awards in the form of shares, cash or 50% in the form of shares and 50% in cash, in each case based on the Group share price at the time of settlement. An election to receive cash is subject to reversal if at the time of settlement the Group share price is less than 75% of the share price at the time of election. The timing and pricing of settlement will be the same as under the previous award plan and as under the plans of the non-Executive Board population. This change does not affect deferred share-based awards granted to non-Executive Board members as of December 31, 2015, which will continue to be settled in the form of Group shares.

Contract lengths, termination and change in control provisions

All members of the Executive Board have employment contracts with the Group which are valid until terminated. The notice period for termination of employment by either the Group or the respective Executive Board member is six months. In the event of termination, there are no contractual provisions that allow for the payment of severance awards to Executive Board members. Pre-defined conditions for all employees apply for the payment of outstanding deferred compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for other types of payments or benefits in connection with termination of employment that are not generally available to other employees of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Board upon recommendation of the Compensation Committee with the aim of maximizing shareholder value, subject to circumstances and prevailing market conditions. There are no provisions in the employment contracts of Executive Board members or any other pre-determined arrangements that require the payment of any type of extraordinary benefits, including special severance awards, in the case of a change in control.

Former Executive Board members

Generally, former members of the Group's most senior executive body who no longer provide services to the Group are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees or other forms of compensation were paid to former members of the Executive Board who no longer provided services to the Group during 2015.

Executive Board shareholdings and loans

Executive Board shareholdings

The table "Executive Board holdings and values of deferred share-based awards by individual" discloses the shareholdings of the Executive Board members, their immediate family and companies in which they have a controlling interest, as well as the value of the unvested share-based compensation awards held by Executive Board members as of December 31, 2015.

The value of share-based compensation awards granted to Executive Board members in prior years varies depending on the Group share price and other factors influencing the fair value of the award. The cumulative value of these unvested share-based awards as of December 31, 2015 was on average 3.0% lower than at the grant date value of the awards.

As of December 31, 2015, the outstanding cash-based deferred compensation awards granted to certain Executive Board members in prior years were the 2008 PAF, the Plus Bond awards, the COF, CCA and the 2012 and 2013 LTI awards. The cumulative value of such cash-based awards at their grant dates was CHF 37.6 million compared to CHF 41.0 million as of December 31, 2015.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares[1]	Number of unvested share awards	Number of owned shares and unvested share awards	Value of unvested awards at grant (CHF)	Value of unvested awards as of December 31 (CHF)
2015					
Tidjane Thiam	–	677,368	677,368	14,322,470	14,692,112
James L. Amine	118,982	601,098	720,080	13,448,466	13,037,816
Pierre -Olivier Bouée	–	73,307	73,307	1,885,249	1,590,029
Romeo Cerutti	219,539	122,417	341,956	2,727,390	2,655,225
Peter Goerke	–	79,034	79,034	1,843,536	1,714,247
Thomas Gottstein	–	98,344	98,344	2,174,771	2,133,081
Iqbal Khan	13,358	99,516	112,874	2,098,706	2,158,502
David R. Mathers	35,063	215,170	250,233	4,793,822	4,667,037
Joachim Oechslin	17,099	97,982	115,081	2,124,889	2,125,230
Timothy P. O'Hara	29,079	579,567	608,646	13,521,795	12,570,808
Helman Sitohang	5,992	406,124	412,116	9,145,242	8,808,830
Lara Warner	29,313	158,244	187,557	3,658,283	3,432,312
Total	**468,425**	**3,208,171**	**3,676,596**	**71,744,619**	**69,585,229**
2014					
Brady W. Dougan	641,334	326,139	967,473	8,074,202	8,179,566
James L. Amine	79,131	522,755	601,886	13,505,094	13,110,695
Gaël de Boissard	249,617	506,289	755,906	13,485,853	12,697,728
Romeo Cerutti	96,887	169,842	266,729	4,158,932	4,259,637
David R. Mathers	32,146	287,055	319,201	7,031,063	7,199,339
Hans-Ulrich Meister	318,484	321,385	639,869	7,948,267	8,060,336
Joachim Oechslin	–	64,060	64,060	1,595,094	1,606,625
Timothy P. O'Hara	–	664,016	664,016	17,154,283	16,653,521
Robert S. Shafir	617,053	386,794	1,003,847	9,439,287	9,700,794
Pamela A. Thomas-Graham	–	158,139	158,139	3,857,930	3,966,126
Total	**2,034,652**	**3,406,474**	**5,441,126**	**86,250,005**	**85,434,367**

1
Includes shares that were initially granted as deferred compensation and have vested.

Executive Board loans (audited)

The majority of loans outstanding to Executive Board members are mortgages or loans against securities. Such loans are made on the same terms available to employees under the Group's employee benefit plans. Each Executive Board member may be granted individual credit facilities or loans up to a maximum of CHF 20 million. As of December 31, 2015, 2014 and 2013, outstanding loans to Executive Board members amounted to CHF 26 million, CHF 5 million and CHF 10 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2015 was three and seven, respectively, and the highest loan outstanding was CHF 8 million to Thomas Gottstein.

All mortgage loans to Executive Board members are granted either with variable or fixed interest rates over a certain period. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to Executive Board members as for other employees.

Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans did not involve more than the normal risk of collectability or present other unfavorable features.

> Refer to "Banking relationships with Board and Executive Board Members and related party transactions" in Corporate Governance for further information.

Board of Directors compensation

Governance

The governance of the compensation to members of the Board is set forth in the AoA and in the OGR. The annual compensation paid to members of the Board, including the Chairman, is approved by the Board, based on the recommendation of the Compensation Committee for the period from the current AGM to the following year's AGM. The total aggregate amount of Board compensation is subject to approval by the shareholders pursuant to the Compensation Ordinance. In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the recommendation involving his or her own compensation.

Changes to the Board composition in 2015

At the 2015 AGM, Anton van Rossum and Jean-Daniel Gerber stepped down from the Board and Seraina Maag was elected as a new member of the Board.

Basis of determining compensation for the Board

Board members are compensated on the basis of fees, which reflect the respective Board member's role, time commitment and scope of responsibility on the Board. The fee amounts are set at levels to attract and retain highly qualified and experienced individuals, taking into consideration levels at comparable leading Swiss companies. Except for the full-time Chairman, all members of the Board receive an annual base board fee of CHF 250,000.

As shown in the table below, Board members also receive annual committee fees for each committee membership. Fees paid to Board members are in the form of cash and Group shares, which are blocked and non-transferable for a period of four years. This ensures that the interests of Board members are closely aligned to the interests of shareholders. These fees are paid in arrears in two equal installments.

Membership fees

Membership	Annual fee (in CHF)
Board of Directors – base fee	250,000
Audit Committee	150,000
Chairman's and Governance Committee	100,000
Compensation Committee	100,000
Risk Committee	100,000

Compensation of the Chairman

The Chairman's role is a full time appointment, for which he is paid an annual base board fee of CHF 3.0 million in cash (12 monthly payments) plus a chair fee of CHF 1.5 million in Group shares and contributions to the Group pension fund. For the period from the 2015 AGM to the 2016 AGM, the Chairman proposed to voluntarily waive his chair fees of CHF 1.5 million, in consideration of the Group's weaker financial performance in 2015, and this proposal

was approved by the Board in the context of determining compensation. The total compensation paid to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs, engaging with the CEO and senior management, as well as with external stakeholders. The Chairman coordinates the Board's activities, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information to perform their duties. The Chairman drives the Board agenda on key topics such as the strategic development of the Group, succession planning and the structure and organization of the Group. The Chairman also steers the agenda on compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the shareholder meetings and takes an active role in representing the Group to regulators and supervisors, key shareholders, investors, and other stakeholders. Moreover, he is a member of several Swiss and international industry associations on behalf of the Group, including the Swiss Bankers Association, the Swiss Finance Council, the Institute of International Finance and the European Banking Group.

Compensation of the Lead Independent Director and the Vice-Chairs

Noreen Doyle, as Lead Independent Director and Vice-Chair, and Richard E. Thornburgh as Vice-Chair do not receive additional compensation for these roles. Both individuals are members of the Chairman's and Governance Committee, however, for which they receive an annual committee fee of CHF 100,000.

Compensation of the committee chairmen

Jean Lanier, Richard E. Thornburgh and John Tiner, each in the role of committee chairman of the Compensation, Risk and Audit Committees, respectively, receive chair fees, reflecting the greater responsibility and time commitment required to perform the role of a committee chairman, which is considered to be a significant part-time role. For 2015, the chair fee was CHF 200,000 for the chairman of the Compensation Committee, CHF 641,667 for the chairman of the Audit Committee and CHF 583,333 for the chairman of the Risk Committee. These fees are fixed in advance and are not linked to the Group's financial performance. In addition to the greater time commitment required to prepare and lead the committee work, the chair fees consider the engagement of the three committee chairmen throughout the year with global regulators, shareholders, the business divisions and Corporate Functions and other stakeholders. Regulatory developments in the banking industry in recent years have put increasing demands on the Risk and Audit Committee chairmen, in particular, increasing the frequency of interaction with the Group's main regulators on internal control, risk, capital and other matters under the supervision of these committees. Similarly, the greater focus of shareholders and regulators on compensation has resulted in an increased number of engagements between the Compensation Committee chairman and large shareholders and shareholder groups, as well as with regulators. The Audit Committee chair fee also considers the greater number of meetings required of the Audit Committee for the review and approval of the quarterly financial results and related filings (e.g. 18 meetings and calls held during 2015) and the Audit Committee chairman's supervisory role over the Internal Audit function. The Head of Internal Audit has a direct reporting line to the Audit Committee chairman and is required to deliver regular reports to the Audit Committee. The Risk Committee chair fee considers the regular interaction required between the Risk Committee chairman and the Group chief risk officer and other senior managers in the risk management function, as well as his oversight role over the strengthened Credit Risk Review function, which reports directly to him since 2015.

> Refer to the table "Members of the Board and Board committees" in Corporate Governance – Board of Directors for further information.

> Refer to "Credit Risk Governance" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management – Credit risk for further information on the Credit Risk Review function.

Compensation of Board members serving on subsidiary boards

Several Board members also serve as members on the boards of Group subsidiary companies. This practice is consistent with the Group's legal entity governance principles, which aim to foster a close alignment of the Group's governance practices and those of its significant subsidiary companies. These board members are Noreen Doyle, chair of the UK subsidiaries Credit Suisse International (CSI) and Credit Suisse Securities (Europe) Limited (CSSEL), Richard E. Thornburgh, chair of Credit Suisse Holdings (USA) Inc. and board member and risk committee chair of CSI and CSSEL, and John Tiner, board member of Credit Suisse Holdings (USA) Inc. Board members receive separate fees for serving on subsidiary boards, in addition to their Board fees, which are paid in cash. These fees are approved by the respective subsidiary boards and are subject to ratification by the Board and included in the total amount of compensation to members of the Board proposed for approval by shareholders at the AGM.

Former members of the Board

Two former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Board or related parties during 2015.

Board compensation for 2015 (audited)

in 2015 (CHF)	Base board fee	Committee fee	Chair fees	Subsidiary board fees	Total compen- sation[1]	Awarded in cash	% of total compen- sation	Awarded in Group shares[2]	% of total compen- sation
Urs Rohner, Chairman [3]	3,000,000	–	–	–	3,225,956	3,225,956	100%	–	0%
Jassim Bin Hamad J.J. Al Thani [4]	250,000	–	–	–	250,000	125,000	50%	125,000	50%
Iris Bohnet [4, 5]	250,000	100,000	–	–	369,783	194,783	53%	175,000	47%
Noreen Doyle [4, 6]	250,000	250,000	–	280,000	780,000	530,000	68%	250,000	32%
Andreas N. Koopmann [4]	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Jean Lanier, Chairman of the Compensation Committee [4, 7]	250,000	200,000	200,000	–	650,000	325,000	50%	325,000	50%
Sereina Maag [4]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Kai S. Nargolwala [4]	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Severin Schwan [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Richard E. Thornburgh, Chairman of the Risk Committee [4, 8]	250,000	350,000	583,333	116,667	1,300,000	708,333	54%	591,667	46%
Sebastian Thrun [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
John Tiner, Chairman of the Audit Committee [4, 8]	250,000	350,000	641,667	58,333	1,300,000	679,167	52%	620,833	48%
Total	**5,750,000**	**2,000,000**	**1,425,000**	**455,000**	**9,875,739**	**6,788,239**	**69%**	**3,087,500**	**31%**

1
At the 2015 AGM, shareholders approved a maximum amount of total compensation to be awarded to Board members until the 2016 AGM of CHF 12 million. For the total compensation awarded to members of the Board, the Group made payments of CHF 0.5 million in 2015 and CHF 0.6 million in 2014 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Board members based on their domicile and employment status. These contributions do not form part of the Board members' compensation.
2
As per December 31, 2015, one-half of the Board member fees to be awarded in Group shares have been delivered to Board members. The applicable Group share price was CHF 21.49. The remaining shares will be delivered to Board members at or around the date of the 2016 AGM and the share price for this second share delivery will be determined at that time. Group shares are subject to a four-year blocking period.
3

The chair fee of the Chairman is set at CHF 1.5 million to be awarded as 100% Group shares. For the period from the 2015 AGM to the 2016 AGM, the Chairman proposed to voluntarily waive his Chair fee and this proposal was approved by the Board in the context of determining compensation. The total compensation of the Chairman includes benefits received in 2015 of CHF 225,956, which included pension and health insurance benefits and lump sum expenses.

4

All members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership for the period from one AGM to the next, i.e., from April 23, 2015 to April 29, 2016. Except for the Chairman, who receives his base board fee in 12 monthly installments throughout this period, Board member fees are paid in two installments of cash and Group shares, which are made approximately six and twelve months after the AGM respectively. As of the date of the 2016 AGM, these total combined fees will have been paid in cash (69%) and Group shares (31%).

5

The total compensation of Iris Bohnet includes a payment of USD 20,000 (CHF 19,783) for a speaking engagement at a Credit Suisse sponsored event.

6

In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, a subsidiary board fee of GBP 200,000 (CHF 280,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited.

7

In addition to his base board and committee fees, Jean Lanier is awarded a chair fee of CHF 200,000 as Compensation Commitee Chairman; the chair fee is awarded as 50% cash and 50% Group shares.

8

In addition to their base board and committee fees, Richard E. Thornburgh and John Tiner are each awarded a chair fee and a subsidiary board fee for a combined amount of CHF 700,000. Richard E. Thornburgh is awarded a chair fee of CHF 583,333 as Risk Committee Chairman (50% in cash, 50% in Group shares), and a subsidiary board fee of CHF 116,667 awarded in cash as a non-executive director and chair of the Group’s US subsidiary, Credit Suisse Holdings (USA) Inc., to which Mr. Thornburgh was appointed in December 2015. Mr. Thornburgh did not receive separate fees during 2015 as non-executive director of the Group’s UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. Similarly, the fees of Mr. Tiner are also split between his fee as Audit Committee Chairman (50% cash, 50% Group shares) and a subsidiary board fee awarded in cash as non-executive director of the US subsidiary, Credit Suisse Holdings (USA) Inc., to which Mr. Tiner was appointed in December 2015. The subsidiary fee amounts disclosed above are pro-rated from December 2015 until the 2016 AGM; a full-year subsidiary fee of CHF 280,000 is foreseen for the role of Mr. Thornburgh as a non-executive director and chair and CHF 140,000 for Mr. Tiner as a non-executive director of the US subsidiary board respectively.

Board compensation for 2014 (audited)

in 2014 (CHF)	Base board fee	Committee fee	Chair fees	Voluntary adjustment[1]	Total compen- sation[2]	Awarded in cash	% of total compen- sation	Awarded in Group shares	% of total compen- sation	Nu of G sl
Urs Rohner, Chairman [4]	2,500,000	–	2,000,000	(1,000,000)	3,629,856	2,629,856	72%	1,000,000	28%	49
Jassim Bin Hamad J.J. Al Thani [5]	250,000	–	–	(62,500)	187,500	125,000	67%	62,500	33%	2
Iris Bohnet [5, 6]	250,000	100,000	–	(87,500)	267,500	180,000	67%	87,500	33%	3
Noreen Doyle [7]	250,000	250,000	280,000	(195,000)	585,000	460,000	79%	125,000	21%	5
Jean-Daniel Gerber [5]	250,000	150,000	–	(100,000)	300,000	200,000	67%	100,000	33%	4
Andreas N. Koopmann [5]	250,000	200,000	–	(112,500)	337,500	225,000	67%	112,500	33%	4
Jean Lanier, Chairman of the Compensation Committee [8]	250,000	350,000	200,000	(200,000)	600,000	400,000	67%	200,000	33%	7
Kai S. Nargolwala [5]	250,000	200,000	–	(112,500)	337,500	225,000	67%	112,500	33%	4
Anton van Rossum [5]	250,000	100,000	–	(87,500)	262,500	175,000	67%	87,500	33%	3
Severin Schwan [5]	250,000	100,000	–	(87,500)	262,500	175,000	67%	87,500	33%	3
Richard E. Thornburgh, Chairman of the Risk Committee [8]	250,000	350,000	800,000	(350,000)	1,050,000	700,000	67%	350,000	33%	14
Sebastian Thrun [5]	250,000	100,000	–	(87,500)	262,500	175,000	67%	87,500	33%	3
John Tiner, Chairman of the Audit Committee [8]	250,000	350,000	800,000	(350,000)	1,050,000	700,000	67%	350,000	33%	14
Total	**5,500,000**	**2,250,000**	**4,080,000**	**(2,832,500)**	**9,132,356**	**6,369,856**	**70%**	**2,762,500**	**30%**	**120**

1
The voluntary adjustment reflects a 50% reduction in the share portion of each Board member's fees, which was decided by the Board on August 22, 2014, following the final settlement of all US cross-border matters in May 2014. Board fees would norma awarded as 50% cash and 50% shares, with the exception of the Chairman and Noreen Doyle.

2
For the total compensation awarded to members of the Board, the Group made payments of CHF 0.6 million in 2014 and CHF million in 2013 to cover the mandatory employer social security contributions as required under the social security laws applic the individual Board members based on their domicile and employment status. These contributions do not form part of the Boa members' compensation.

3

The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period.

4

The chair fee of the Chairman is set at CHF 2.0 million to be awarded as 100% Group shares. For 2014, after applying the volu adjustment, the Chairman was paid a chair fee of CHF 1.0 million in Group shares. The applicable Group share price for the ch was CHF 20.21. The total compensation of the Chairman includes benefits received in 2014 of CHF 129,856, which included pension benefits, lump sum expenses and child and health care allowances.

5

Except for the Chairman, members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from May 9, 2014 to April 23, 2015. For 20 after applying the voluntary adjustment, these total combined fees were paid in cash (67%) and Group shares (33%). The applic Group share price was CHF 24.91.

6

The total compensation of Iris Bohnet includes a payment of CHF 5,000 in 2014 for a speaking engagement at a Credit Suisse sponsored event.

7

In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, the chair fee of GB 200,000 (CHF 280,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. For 2014, after applying the voluntary adjustment, there was a 50% reduction of the share portion of her Group board fees and a 25% reduction of her UK board chair cash. Noreen Doyle received a chair fee of GBP 150,000 (CHF 210,000).

8

In addition to the base board and committee fees, the three committee chairmen are each awarded a chair fee. The chair fee is awarded as 50% cash and 50% Group shares. For 2014, after applying the voluntary adjustment, the committee chairmen are pa their respective chair fees in cash (67%) and Group shares (33%). The applicable Group share price for the chair fees was CHF 20.21.

Utilization of Board compensation approved at the 2015 AGM

At the 2015 AGM, shareholders approved an aggregate amount of compensation to be paid to members of the Board for the period from the 2015 AGM to the 2016 AGM of CHF 12 million. From this amount, a total of CHF 9.9 million will have been paid to Board members by the time of the 2016 AGM.

Board compensation proposed for approval at the 2016 AGM

Pursuant to the Compensation Ordinance and the Group’s AoA, the AGM approves on an annual basis the compensation of the Board in advance as a maximum amount for the period until the next ordinary AGM. Accordingly, the Board will submit the following proposal to the shareholders at the 2016 ordinary AGM:

Approval of the compensation of the Board for the period from 2016 AGM to 2017 AGM

The Board proposes to approve an aggregate amount of compensation to be paid to members of the Board for the period from the 2016 AGM to the 2017 AGM of no more than CHF 12.0 million. The total amount is comprised of base board fees, committee fees, chair fees, subsidiary board fees and (if applicable) pension benefits and other benefits as specified in the section “Board of Directors Compensation”. The proposed amount excludes any legally required employer contributions to social security systems.

Board shareholdings and loans

Board shareholdings

The table below discloses the shareholdings of the Board members, their immediate family and companies in which they have

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a controlling interest. As of December 31, 2015, there were no Board members with outstanding options.

Board shareholdings by individual

in	2015	2014
December 31 (shares) [1]		
Urs Rohner	244,868	229,492
Jassim Bin Hamad J.J. Al Thani	26,404	19,763
Iris Bohnet	25,120	18,243
Noreen Doyle	52,998	52,984
Andreas N. Koopmann	60,944	46,859
Jean Lanier	75,799	56,665
Sereina Maag	4,653	–
Kai S. Nargolwala	209,434	176,974
Severin Schwan	65,601	25,155
Richard E. Thornburgh	194,089	184,668
Sebastian Thrun	6,850	2,779
John Tiner	107,866	70,482
Total	**1,074,626**	**884,064**

1
Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.

Board loans

The majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. Each member of the Board may be granted individual credit facilities or loans up to a maximum of CHF 20 million at market conditions. As of December 31, 2015, 2014 and 2013, outstanding loans to Board members amounted to CHF 8 million, CHF 16 million and CHF 55 million, respectively.

Board members with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Unless otherwise noted, all loans to Board members are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current Board members have a significant influence as defined by the SEC. Examples include holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2015, 2014 and 2013, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

> Refer to “Banking relationships with Board and Executive Board Members and related party transactions” in Corporate Governance for further information.

Board loans by individual (audited)

in	2015	2014
December 31 (CHF)		
Urs Rohner	4,915,000	5,097,475
Andreas N. Koopmann	1,775,000	4,885,919
Seraina Maag	984,000	–
Richard E. Thornburgh	–	6,223,479
Total [1]	**7,674,000**	**16,206,873**

1
Includes loans to immediate family members.

Discontinued compensation plans

The Group has discontinued compensation instruments with leverage components. A summary of the principal forms of awards granted in prior years, which have since been discontinued but are still outstanding, is shown in the following overview. For certain plans, the Group retains the right to settle the instruments in cash or in shares at its discretion.

Principal outstanding deferred variable compensation plans

Restricted Cash Awards

– Basis: cash-based;
– Vesting start: January 2013;
– Vesting end: January 2016;
– Applied to: performance in 2012, which included managing directors in the former Investment Banking division;
– General award conditions: vesting ratably over three years and other restrictive covenants and provisions. Paid in the first quarter of 2013;
– Other award conditions or restrictions: subject to repayment in part or in full if a performance-based malus event occurs, such as voluntary termination or termination for cause during the vesting period;
– Program objective/rationale: promoting retention of senior management.

Plus Bond Awards

– Basis: cash-based;
– Vesting start: January 2013;
– Vesting end: January 2016;
– Applied to: performance in 2012 for managing directors and directors in the former Investment Banking division. Other managing directors and directors were allowed to reallocate a portion of the share awards into Plus Bond awards. Mandatory Plus Bond awards for managing directors and directors in the former Investment Banking division were fully vested on grant, subject to cancellation in the event of a termination with cause or where settlement conditions are violated. Vesting in 2016 for employees who elected to reallocate a portion of their share awards to Plus Bond awards;
– General award conditions: awards are linked to the future performance of a portfolio or unrated and sub-investment grade asset-backed securities that are held in inventory by various trading desks in the former Investment Banking division;

– Other award conditions or restrictions: Plus Bond award holders will receive semi-annual cash payments at the rate of >>>LIBOR plus 7.875% per annum. Holders of Plus Bond awards are subject to a non-compete/non-solicit provision;
– Program objective/rationale: providing employees with a fixed income strategy while transferring risk from the Group to employees thereby contributing to a reduction of >>>risk-weighted assets.
Capital Opportunity Facility (COF)
– Basis: cash-based;
– Vesting start: 94% vested at the time of conversion in February 2014;
– Vesting end: February 2016;
– Applied to: performance in 2011, as this was derived from the conversion of the 2011 Partner Asset Facility (PAF2);
– General award conditions: The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by the COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. COF awards were obtained in exchange for PAF2 awards. PAF2 awards were linked to a portfolio of the Group’s credit exposures, providing risk offset and capital relief up until December 2013. Due to regulatory changes, the capital relief was no longer available after December 31, 2013. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to either COF or CCA, or a combination thereof;
– Other award conditions or restrictions: COF holders will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021;
– Program objective/rationale: providing employees with semi-annual fixed income distributions and a potential return on the reference assets at maturity while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency.
Contingent Capital Awards (CCA) derived from PAF2
– Basis: cash-based;
– Vesting start: 94% vested at the time of conversion in February 2014;
– Vesting end: February 2016;
– Applied to: performance in 2011, as this was derived from the conversion of the 2011 PAF2;
– General award conditions: PAF2 awards participants electing to receive CCA in substitute receive similar terms to the instruments granted as part of the 2013 and 2014 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates (4.51% per annum over the six-month Swiss franc LIBOR or 5.07% per annum over the six-month US dollar LIBOR).
– Other award conditions or restrictions: Settlement is expected to occur in 2016, subject to regulatory approvals. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written-down to zero and canceled if any of the following trigger events were to occur: CET1 falls below 7%; or FINMA determine cancellation of the award is necessary;
– Program objective/rationale: Utilized to align compensation with the maintenance of strong capital ratios, provide additional tier 1 capital, and reduce dilution to existing share capital that would otherwise be incurred with the issuance of share-based deferred compensation awards.
> Refer to “Contingent Capital Awards (CCA)” in Group compensation – Compensation design – Deferred variable incentive compensation instruments for further information.
2008 Partner Asset Facility (PAF)
– Basis: cash-based;
– Vesting start: 2008, 66.7% vested upon grant;
– Vesting end: 33.3% vested in March 2009;
– Applied to: performance in 2008, which included all managing directors and directors in the former Investment Banking division;
– General award conditions: the contractual term of a PAF award is eight years, with the final distribution in 2017. PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that

originated in the former Investment Banking division. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool as of December 31, 2008, and those assets cannot be substituted throughout the contractual term of the award or until liquidated;

– Other award conditions or restrictions: PAF holders will receive a semi-annual cash interest payment of the LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. They will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool;

– Program objective/rationale: designed to incentivize senior managers in the former Investment Banking division to effectively manage assets which were a direct result of risk taking in the former Investment Banking division during this period. As a result of the PAF program, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group’s risk-weighted assets, resulting in a reduction in capital usage.

> Refer to “Note 29 – Employee deferred compensation” in V – Consolidated financial statements – Credit Suisse Group for more information.

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Report of the Independent Registered Public Accounting Firm
Credit Suisse Group AG, Zurich
We have audited the accompanying consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Group's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 24, 2016 expressed an unqualified opinion on the effectiveness of the Group's internal control over financial reporting.
KPMG AG

Simon Ryder	Anthony Anzevino
Licensed Audit Expert	*Global Lead Partner*
Auditor in Charge	

Zurich, Switzerland
March 24, 2016
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Consolidated financial statements

Consolidated statements of operations

	Reference to notes	2015	2014	in 2013
Consolidated statements of operations (CHF million)				
Interest and dividend income	6	19,341	19,061	19,556
Interest expense	6	(10,042)	(10,027)	(11,441)
Net interest income	6	9,299	9,034	8,115
Commissions and fees	7	12,044	13,051	13,226
Trading revenues	8	1,340	2,026	2,739
Other revenues	9	1,114	2,131	1,776
Net revenues		**23,797**	**26,242**	**25,856**
Provision for credit losses	10	**324**	**186**	**167**
Compensation and benefits	11	11,546	11,334	11,256
General and administrative expenses	12	8,574	9,534	8,587
Commission expenses		1,623	1,561	1,738
Goodwill impairment	21	3,797	0	12
Restructuring expenses	13	355	–	–
Total other operating expenses		14,349	11,095	10,337
Total operating expenses		**25,895**	**22,429**	**21,593**
Income/(loss) from continuing operations before taxes		**(2,422)**	**3,627**	**4,096**
Income tax expense	28	523	1,405	1,276
Income/(loss) from continuing operations		**(2,945)**	**2,222**	**2,820**
Income from discontinued operations, net of tax	4	0	102	145
Net income/(loss)		**(2,945)**	**2,324**	**2,965**
Net income/(loss) attributable to noncontrolling interests		(1)	449	639
Net income/(loss) attributable to shareholders		**(2,944)**	**1,875**	**2,326**
of which from continuing operations		(2,944)	1,773	2,181
of which from discontinued operations		0	102	145
Basic earnings per share (CHF)				
Basic earnings/(loss) per share from continuing operations	14	(1.73)	0.99	1.10
Basic earnings per share from discontinued operations	14	0.00	0.06	0.08
Basic earnings/(loss) per share	14	**(1.73)**	**1.05**	**1.18**
Diluted earnings per share (CHF)				
Diluted earnings/(loss) per share from continuing operations	14	(1.73)	0.98	1.10
Diluted earnings per share from discontinued operations	14	0.00	0.06	0.08
Diluted earnings/(loss) per share	14	**(1.73)**	**1.04**	**1.18**

Consolidated statements of comprehensive income

in	2015	2014	2013
Comprehensive income/(loss) (CHF million)			
Net income/(loss)	(2,945)	2,324	2,965

Gains/(losses) on cash flow hedges	16	(20)	18
Foreign currency translation	(1,156)	2,287	(1,021)
Unrealized gains/(losses) on securities	(4)	12	(32)
Actuarial gains/(losses)	(661)	(1,253)	1,044
Net prior service credit/(cost)	155	(63)	(95)
Other comprehensive income/(loss), net of tax	(1,650)	963	(86)
Comprehensive income/(loss)	**(4,595)**	**3,287**	**2,879**
Comprehensive income/(loss) attributable to noncontrolling interests	(19)	540	525
Comprehensive income/(loss) attributable to shareholders	**(4,576)**	**2,747**	**2,354**

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

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Consolidated balance sheets

	Reference to notes	2015	end of 2014
Assets (CHF million)			
Cash and due from banks		92,328	79,349
of which reported at fair value		89	304
of which reported from consolidated VIEs		1,693	1,493
Interest-bearing deposits with banks		867	1,244
of which reported at fair value		2	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	15	123,049	163,208
of which reported at fair value		83,565	104,283
of which reported from consolidated VIEs		53	660
Securities received as collateral, at fair value		28,511	26,854
of which encumbered		27,940	25,220
Trading assets, at fair value	16	190,737	241,131
of which encumbered		62,559	77,583
of which reported from consolidated VIEs		2,372	4,261
Investment securities	17	3,090	2,791
of which reported at fair value		3,090	2,791
of which reported from consolidated VIEs		1,009	0
Other investments	18	7,021	8,613
of which reported at fair value		4,237	5,654
of which reported from consolidated VIEs		1,986	2,105
Net loans	19	272,995	272,551
of which reported at fair value		20,820	22,913
of which encumbered		108	192
of which reported from consolidated VIEs		1,312	245
allowance for loan losses		(866)	(758)
Premises and equipment	20	4,644	4,641
of which reported from consolidated VIEs		327	452
Goodwill	21	4,808	8,644
Other intangible assets	22	196	249
of which reported at fair value		112	70
Brokerage receivables		34,542	41,629
Other assets	23	58,017	70,558
of which reported at fair value		25,627	32,320
of which encumbered		671	250
of which reported from consolidated VIEs		14,451	16,134
Total assets		**820,805**	**921,462**

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

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Consolidated balance sheets (continued)

	Reference to notes	2015	end of 2014
Liabilities and equity (CHF million)			
Due to banks	24	21,054	26,009
of which reported at fair value		482	823
Customer deposits	24	342,705	369,058
of which reported at fair value		3,663	3,261
of which reported from consolidated VIEs		0	3
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	15	46,598	70,119
of which reported at fair value		32,398	54,732
Obligation to return securities received as collateral, at fair value		28,511	26,854
Trading liabilities, at fair value	16	48,971	72,655
of which reported from consolidated VIEs		27	35
Short-term borrowings		8,657	25,921
of which reported at fair value		3,112	3,861
of which reported from consolidated VIEs		81	9,384
Long-term debt	25	197,608	177,898
of which reported at fair value		80,931	81,166
of which reported from consolidated VIEs		14,826	13,452
Brokerage payables		39,452	56,977
Other liabilities	23	42,231	50,970
of which reported at fair value		11,754	16,938
of which reported from consolidated VIEs		836	1,728
Total liabilities		**775,787**	**876,461**
Common shares		78	64
Additional paid-in capital		31,925	27,007
Retained earnings		29,139	32,083
Treasury shares, at cost		(125)	(192)
Accumulated other comprehensive income/(loss)	26	(16,635)	(15,003)
Total shareholders' equity		**44,382**	**43,959**
Noncontrolling interests		636	1,042
Total equity		**45,018**	**45,001**
Total liabilities and equity		**820,805**	**921,462**

	Reference to notes	2015	end of 2014
Additional share information			
Par value (CHF)		0.04	0.04
Authorized shares [1]		2,666,152,845	2,299,616,660
Common shares issued	26	1,957,379,244	1,607,168,947
Treasury shares	26	(5,910,224)	(7,666,658)
Shares outstanding	26	1,951,469,020	1,599,502,289

1
Includes issued shares and unissued shares (conditional, conversion and authorized capital).
The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of changes in equity

	Attributable to shareholders							
	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumu-lated other compre-hensive income/ (loss)	Total share-holders' equity	Non-controlling interests	Total equity
2015 (CHF million)								
Balance at beginning of period	**64**	**27,007**	**32,083**	**(192)**	**(15,003)**	**43,959**	**1,042**	**45,001**
Purchase of subsidiary shares from non- controlling interests, not changing ownership [1,2]	–	–	–	–	–	–	(381)	(381)
Sale of subsidiary shares to noncontrolling interests, not changing ownership [2]	–	–	–	–	–	–	55	55
Net income/(loss)	–	–	(2,944)	–	–	(2,944)	(1)	(2,945)
Total other comprehensive income/(loss), net of tax	–	–	–	–	(1,632)	(1,632)	(18)	(1,650)
Issuance of common shares	14	6,731	–	–	–	6,745	–	6,745
Sale of treasury shares	–	(37)	–	18,789	–	18,752	–	18,752
Repurchase of treasury shares	–	–	–	(19,761)	–	(19,761)	–	(19,761)
Share-based compensation, net of tax	–	(321) [3]	–	1,039	–	718	–	718
Financial instruments indexed to own shares [4]	–	(106)	–	–	–	(106)	–	(106)
Dividends paid	–	(1,137) [5]	–	–	–	(1,137)	–	(1,137)
Changes in scope of consolidation, net	–	–	–	–	–	–	(58)	(58)
Other	–	(212)	–	–	–	(212)	(3)	(215)
Balance at end of period	**78**	**31,925**	**29,139**	**(125)**	**(16,635)**	**44,382**	**636**	**45,018**
2014 (CHF million)								
Balance at beginning of period	**64**	**27,853**	**30,261**	**(139)**	**(15,875)**	**42,164**	**5,002**	**47,166**
Purchase of subsidiary shares from non- controlling interests, not changing	–	238	–	–	–	238	(2,143)	(1,905)

ownership								
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	39	39
Net income/(loss)	–	–	1,875	–	–	1,875	449	2,324
Total other comprehensive income/(loss), net of tax	–	–	–	–	872	872	91	963
Issuance of common shares	–	297	–	–	–	297	–	297
Sale of treasury shares	–	(15)	–	9,409	–	9,394	–	9,394
Repurchase of treasury shares	–	–	–	(10,197)	–	(10,197)	–	(10,197)
Share-based compensation, net of tax	–	(105)	–	735	–	630	–	630
Financial instruments indexed to own shares	–	(80)	–	–	–	(80)	–	(80)
Dividends paid	–	(1,177)	(53)	–	–	(1,230)	(22)	(1,252)
Changes in redeemable noncontrolling interests	–	2	–	–	–	2	–	2
Changes in scope of consolidation, net	–	–	–	–	–	–	(2,378)	(2,378)
Other	–	(6)	–	–	–	(6)	4	(2)
Balance at end of period	**64**	**27,007**	**32,083**	**(192)**	**(15,003)**	**43,959**	**1,042**	**45,001**

1
Distributions to owners in funds include the return of original capital invested and any related dividends.
2
Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
3
Includes a net tax charge of CHF (28) million from the excess recognized compensation expense over fair value of shares delivered.
4
Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
5
Paid out of capital contribution reserves.
The accompanying notes to the consolidated financial statements are an integral part of these statements.
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Consolidated statements of changes in equity (continued)

	Attributable to shareholders							
2013 (CHF million)	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income/ (loss)	Total shareholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	**53**	**23,636**	**28,171**	**(459)**	**(15,903)**	**35,498**	**6,786**	**42,284**
Purchase of subsidiary shares from non- controlling interests, changing ownership	–	–	–	–	–	–	(22)	(22)
Purchase of subsidiary shares from non- controlling interests, not changing ownership	–	216	–	–	–	216	(2,467)	(2,251)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	438	438
Net income/(loss)	–	–	2,326	–	–	2,326	651	2,977
Total other comprehensive income/(loss), net of tax	–	–	–	–	28	28	(114)	(86)
Issuance of common shares	11	4,222	–	–	–	4,233	–	4,233
Sale of treasury shares	–	(50)	–	10,360	–	10,310	–	10,310
Repurchase of treasury shares	–	–	–	(10,202)	–	(10,202)	–	(10,202)
Share-based compensation, net of tax	–	213	–	162	–	375	–	375
Financial instruments indexed to own shares	–	(93)	–	–	–	(93)	–	(93)
Dividends paid	–	(269)	(236)	–	–	(505)	(59)	(564)
Changes in redeemable noncontrolling interests	–	(13)	–	–	–	(13)	–	(13)
Changes in scope of consolidation	–	–	–	–	–	–	(211)	(211)
Other	–	(9)	–	–	–	(9)	–	(9)
	64	**27,853**	**30,261**	**(139)**	**(15,875)**	**42,164**	**5,002**	**47,166**

Balance at end of period

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

Consolidated statements of cash flows

in	2015	2014	2013
Operating activities of continuing operations (CHF million)			
Net income/(loss)	**(2,945)**	**2,324**	**2,965**
(Income)/loss from discontinued operations, net of tax	0	(102)	(145)
Income/(loss) from continuing operations	**(2,945)**	**2,222**	**2,820**
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)			
Impairment, depreciation and amortization	4,889	1,285	1,345
Provision for credit losses	324	186	167
Deferred tax provision/(benefit)	32	684	695
Share of net income/(loss) from equity method investments	(134)	134	34
Trading assets and liabilities, net	26,245	(5,513)	13,961
(Increase)/decrease in other assets	11,395	6,062	(6,902)
Increase/(decrease) in other liabilities	(22,805)	(23,876)	9,992
Other, net	(1,933)	1,196	(38)
Total adjustments	18,013	(19,842)	19,254
Net cash provided by/(used in) operating activities of continuing operations	**15,068**	**(17,620)**	**22,074**
Investing activities of continuing operations (CHF million)			
(Increase)/decrease in interest-bearing deposits with banks	349	275	538
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	36,964	11,685	17,120
Purchase of investment securities	(376)	(1,060)	(677)
Proceeds from sale of investment securities	19	930	176
Maturities of investment securities	908	340	832
Investments in subsidiaries and other investments	(594)	(1,264)	(1,792)
Proceeds from sale of other investments	1,938	1,553	3,737
(Increase)/decrease in loans	(5,446)	(23,604)	(9,126)
Proceeds from sales of loans	1,579	1,255	1,483
Capital expenditures for premises and equipment and other intangible assets	(1,102)	(1,056)	(903)
Proceeds from sale of premises and equipment and other intangible assets	13	1	9
Other, net	409	606	122
Net cash provided by/(used in) investing activities of continuing operations	**34,661**	**(10,339)**	**11,519**

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

Consolidated statements of cash flows (continued)

in	2015	2014	2013
Financing activities of continuing operations (CHF million)			
Increase/(decrease) in due to banks and customer deposits	(29,149)	26,040	22,463
Increase/(decrease) in short-term borrowings	(18,148)	3,509	6,002
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(22,149)	(31,001)	(36,347)
Issuances of long-term debt	77,858	74,159	39,090
Repayments of long-term debt	(49,365)	(36,471)	(55,135)
Issuances of common shares	6,035	297	976
Sale of treasury shares	18,752	9,394	9,764
Repurchase of treasury shares	(19,761)	(10,197)	(10,202)
Dividends paid	(427)	(1,252)	(564)
Other, net	186	(1,192)	(468)
Net cash provided by/(used in) financing activities of continuing operations	**(36,168)**	**33,286**	**(24,421)**
Effect of exchange rate changes on cash and due from banks (CHF million)			
Effect of exchange rate changes on cash and due from banks	**(582)**	**5,790**	**(1,216)**
Net cash provided by/(used in) discontinued operations (CHF million)			
Net cash provided by/(used in) discontinued operations	**0**	**(460)**	**(1,027)**
Net increase/(decrease) in cash and due from banks (CHF million)			
Net increase/(decrease) in cash and due from banks	**12,979**	**10,657**	**6,929**
Cash and due from banks at beginning of period	79,349	68,692	61,763
Cash and due from banks at end of period	**92,328**	**79,349**	**68,692**

Supplemental cash flow information

in	2015	2014	2013
Cash paid for income taxes and interest (CHF million)			
Cash paid for income taxes	1,010	1,502	833
Cash paid for interest	10,208	9,527	11,876
Assets acquired and liabilities assumed in business acquisitions (CHF million)			
Fair value of assets acquired	3	143	4
Fair value of liabilities assumed	0	29	0
Assets and liabilities sold in business divestitures (CHF million)			
Assets sold	35	687	374
Liabilities sold	7	1,084	170

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

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

On October 21, 2015, the Group announced its new strategy and organization, which included the introduction of a new segment structure as presented in Note 5 – Segment information. Restructuring expenses related to the implementation of the new Group strategy are presented in Note 13 – Restructuring expenses. Reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation. The reclassifications had no impact on net income/(loss) or total shareholders' equity.

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

Principles of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries. The Group's subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The Group consolidates limited partnerships in cases where it is the general partner or is a limited partner with substantive rights to kick out the general partner or dissolve the partnership and participate in significant decisions made in the ordinary course of business. The Group also consolidates VIEs where the Group is the primary beneficiary in accordance with Accounting Standards Codification (ASC) Topic 810 – Consolidation. The effects of material intercompany transactions and balances have been eliminated.

Where a Group subsidiary is a separate legal entity and determined to be an investment company as defined by ASC Topic 946 – Financial Services – Investment Companies, interests in other entities held by this Group subsidiary are not consolidated and are carried at fair value.

Group entities that qualify as broker-dealer entities as defined by ASC Topic 940 – Financial Services – Brokers and Dealers do not consolidate investments in voting interest entities that would otherwise qualify for consolidation when the investment is held on a temporary basis for trading purposes. In addition, subsidiaries that are strategic components of a broker-dealer's operations are consolidated regardless of holding intent.

Foreign currency translation

Transactions denominated in currencies other than the functional currency of the related entity are recorded by remeasuring them in the functional currency of the related entity using the foreign exchange rate on the date of the transaction. As of the dates of the consolidated balance sheets, monetary assets and liabilities, such as receivables and payables, are reported using the year-end spot foreign exchange rates. Foreign exchange rate differences are recorded in the consolidated statements of operations. Non-monetary assets and liabilities are recorded using the historic exchange rate.

For the purpose of consolidation, the assets and liabilities of Group companies with functional currencies other than Swiss francs are translated into Swiss franc equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated using the weighted average foreign exchange rate for the year. Translation adjustments arising from consolidation are included in accumulated other comprehensive income/(loss) (AOCI) within total shareholders' equity. Cumulative translation adjustments are released from AOCI and recorded in the consolidated statements of operations when the Group disposes and loses control of a consolidated foreign subsidiary.

Fair value measurement and option

The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. The fair value option creates an alternative measurement treatment for certain financial assets and financial liabilities. The fair value option can be elected at initial acquisition of the eligible item or

at the date when the Group enters into an agreement which gives rise to an eligible item (e.g., a firm commitment or a written loan commitment). If not elected at initial recognition, the fair value option can be applied to an item upon certain triggering events that give rise to a new basis of accounting for that item. The application of the fair value option to a financial asset or a financial liability does not change its classification on the face of the balance sheet and the election is irrevocable. Changes in fair value resulting from the election are recorded in trading revenues.
> Refer to “Fair value option” in Note 35 – Financial instruments for further information.
Cash and due from banks
Cash and due from banks consists of currency on hand, demand deposits with banks or other financial institutions and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are held for cash management purposes.

Reverse repurchase and repurchase agreements

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

Assets and liabilities recorded under these agreements are accounted for on one of two bases, the accrual basis or the fair value basis. Under the accrual basis, interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported in interest and dividend income and interest expense, respectively. The fair value basis of accounting may be elected pursuant to ASC Topic 825 – Financial Instruments, and any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method. The Group has elected the fair value basis of accounting on some of its agreements.

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

Securities lending and borrowing transactions

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

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

Transfers of financial assets

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

> Refer to "Note 34 – Transfers of financial assets and variable interest entities" for further information on the Group's transfer activities.

Trading assets and liabilities

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

Derivatives

Freestanding >>>derivative contracts are carried at fair value in the consolidated balance sheets regardless of whether these instruments are held for trading or risk management purposes. Commitments to originate mortgage loans that will be held for sale are considered derivatives for accounting purposes. When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host contract, either the embedded feature is accounted for separately at fair value or the entire contract, including the embedded feature, is accounted for at fair value. In both cases, changes in fair value are recorded in the consolidated statements of operations. If separated for measurement purposes, the derivative is recorded in the same line item in the

consolidated balance sheets as the host contract.
Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity. Realized gains and losses, changes in unrealized gains and losses and interest flows are included in trading revenues. Derivative contracts designated and qualifying as fair value hedges, cash flow hedges or net investment hedges are reported as other assets or other liabilities.
The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for >>>over-the-counter (OTC) derivatives are determined on the basis of proprietary models using various input parameters. Derivative contracts are recorded on a net basis per counterparty, where an enforceable master netting agreement exists. Where no such agreement exists, fair values are recorded on a gross basis.
Where hedge accounting is applied, the Group formally documents all relationships between hedging instruments and hedged
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items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. The Group discontinues hedge accounting prospectively in the following circumstances:

(i) the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);

(ii) the derivative expires or is sold, terminated or exercised;

(iii) the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or

(iv) the designation of the derivative as a hedging instrument is otherwise no longer appropriate.

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

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

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

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

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in AOCI to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in trading revenues. The Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI to the extent the hedge is effective.

Investment securities

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

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

Debt and equity securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in AOCI. Amounts reported in AOCI are net of income taxes.

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

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

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

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

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

Other investments

Other investments include equity method investments and non-marketable equity securities such as private equity, hedge funds, and restricted stock investments, certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee, and real estate held for investment.

Equity method investments are investments where the Group has the ability to significantly influence the operating and financial policies of an investee. Significant influence is typically characterized by ownership of 20% to 50% of the voting stock or in-substance common stock of a corporation or 5% or more of limited partnership interests. Equity method investments are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, the Group's share of the profit or loss, and any impairment on the investee, if applicable, is reported in other revenues. Under the fair value option, changes in fair value are reported in other revenues. The Group has elected the fair value basis of accounting on some of its equity method investments.

The Group's other non-marketable equity securities are carried at cost less other-than-temporary impairment or at fair value if elected under the fair value option. Non-marketable equity securities held by the Group's subsidiaries that are determined to be investment companies as defined by ASC Topic 946 – Financial Services – Investment Companies are carried at fair value, with changes in fair value recorded in other revenues.

Equity method investments and non-marketable equity securities held by broker-dealer entities as defined by ASC Topic 940 – Financial Services – Brokers and Dealers are measured at fair value and reported in trading assets when the intent of the broker-dealer entity is to hold the asset temporarily for trading purposes. Changes in fair value are reported in trading revenues.

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

In connection with the life finance business, the Group invests in single premium immediate annuities (SPIA), which are carried at fair value with the related fair value changes reported in trading revenues. The life finance business also invests in life settlement contracts.

Loans

Loans held-to-maturity

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

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

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

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

> Refer to "Note 19 – Loans, allowance for loan losses and credit quality" for further information.

Allowance for loan losses on loans held-to-maturity

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

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

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. The Group considers a

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loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. For certain non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due except for subprime residential loans which are classified as non-performing no later than when the contractual payments of principal and/or interest are more than 120 days past due. The additional 30 days ensure that these loans are not incorrectly assessed as non-performing during the time when servicing of them typically is being transferred. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due or, in the case of subprime residential loans, 120 days past due. For non-performing loans, a provision is recorded in an amount equal to any accrued but unpaid interest at the date the loan is classified as non-performing, resulting in a charge to the consolidated statements of operations. In addition, the Group continues to add accrued interest receivable to the loan's balance for collection purposes; however, a provision is recorded resulting in no interest income recognition. Thereafter, the outstanding principal balance is evaluated at least annually for collectibility and a provision is established as necessary.

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

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

Interest collected on non-performing loans and non-interest-earning loans is accounted for using the cash basis or the cost recovery method or a combination of both.

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

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

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

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

> Refer to "Impaired loans" in Note 19 – Loans, allowance for loan losses and credit quality for further information on the write-off of a loan and related accounting policies.

Loans held-for-sale

Loans, which the Group intends to sell in the foreseeable future, are considered held-for-sale and are carried at the lower of amortized cost or market value determined on either an individual method basis, or in the aggregate for pools of similar loans if sold or securitized as a pool. Loans held-for-sale are included in other assets. Gains and losses on loans held-for-sale are recorded in other revenues.

Purchased impaired loans

Purchased loans for which it is probable at acquisition that all contractually required payments will not be received are recorded at their net purchase price and no allowances are carried over. The excess of the estimated cash flows to be collected over the amount paid is accreted into interest income over the estimated recovery period when reasonable estimates can be made about the timing and amount of recovery. The Group does not consider such loans to be impaired at the time of acquisition. Such loans are deemed impaired only if the Group's estimate of cash to be received decreases below the estimate at the time of acquisition. Increases in the estimated expected recovery are recorded as a reversal of allowances, if any, and then recognized as an adjustment of the effective yield of the loan.

Loans held at fair value under the fair value option

Loans and loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues. The application of the fair value option does not change the loan's classification. Loan commitments carried at fair value are recorded in other assets or other liabilities, respectively.

Premises and equipment

Premises are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. Alterations and improvements to rented premises are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life, which is not to exceed ten years. Other tangible fixed assets such as computers, machinery, furnishings, vehicles, other equipment and building improvements are depreciated using the straight-line method over their estimated useful lives, generally three to ten years.

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

The Group reflects finance leasing activities for which it is the lessee by recording an asset in premises and equipment and a corresponding liability in other liabilities at an amount equal to the smaller of the present value of the minimum lease payments or fair value, and the leased asset is depreciated over the shorter of the asset's estimated useful life or the lease term.

Goodwill and other intangible assets

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

Other intangible assets may be acquired individually or as part of a group of assets assumed in a business combination. Other intangible assets include but are not limited to: patents, licenses, copyrights, trademarks, branch networks, mortgage servicing rights, customer base and deposit relationships. Acquired intangible assets are initially measured at the amount of cash disbursed or the fair value of other assets distributed. Other intangible assets that have a finite useful life are amortized over that period. Other intangible assets acquired after January 1, 2002, that are determined to have an indefinite useful life, are not amortized; instead they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the indefinite intangible asset may be impaired.

Mortgage servicing rights are included in non-amortizing other intangible assets and are carried at fair value, with changes in fair value recognized through earnings in the period in which they occur. Mortgage servicing rights represent the right to perform specified mortgage servicing activities on behalf of third parties. Mortgage servicing rights are either purchased from third parties or retained upon sale of acquired or originated loans.

Recognition of an impairment on tangible fixed assets and finite intangible assets

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

Income taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the dates of the consolidated balance sheets and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are recorded in other assets and other liabilities, respectively. Income tax expense or benefit is recorded in income tax expense/(benefit), except to the extent the tax effect relates to transactions recorded directly in total shareholders' equity. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management

believes will more likely than not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction.

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

Life settlement contracts

Life settlement contracts are initially recognized at the transaction price and subsequently carried at fair value unless the Group elects to apply the investment method. The contracts that are not accounted for under the investment method are carried at fair value and are recorded in trading assets.

Under the investment method, the contracts are initially recognized at the transaction price plus any directly related external costs and are recorded in other investments. Subsequently, all continuing premium payments made are capitalized unless the aggregated carrying value exceeds fair value, in which case an impairment allowance is established so that the carrying value does not exceed fair value.

Brokerage receivables and brokerage payables

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

Other assets

Derivative instruments used for hedging

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

Long-term debt

Total long-term debt is comprised of debt issuances which do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's structured product activities. Long-term debt includes both Swiss franc and foreign currency denominated fixed and variable rate bonds. The Group actively manages the interest rate risk on vanilla debt through the use of derivative contracts, primarily interest rate and currency swaps. In particular, fixed rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group elected to fair value this fixed rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading revenues. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008 and instead applies hedge accounting per the guidance of ASC Topic 815 – Derivatives and Hedging.

The Group's long-term debt also includes various equity-linked and other indexed instruments with embedded derivative features, whose payments and redemption values are linked to commodities, stocks, indices, currencies or other assets. The Group elected to account for substantially all of these instruments at fair value. Changes in the fair value of these instruments are recognized as a component of trading revenues.

Other liabilities

Guarantees

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

Pensions and other post-retirement benefits

The Group uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Group management. This includes making assumptions with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Group's own historical trends for health care

costs. Salary increases are determined by reviewing external data and considering internal projections.
The funded status of the Group's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.
Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement benefit costs on a straight-line basis over the average remaining service life of active employees expected to receive benefits.
The Group records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.
Share-based compensation
For all share-based awards granted to employees and existing awards modified on or after January 1, 2005, compensation expense is measured at grant date or modification date based on the fair value of the number of awards for which the requisite service is expected to be rendered and is recognized in the consolidated statements of operations over the required service period on a straight-line basis. For all outstanding unvested share-based awards as of January 1, 2005, compensation expense is measured based on the original grant date fair value of the award and is recognized over the remaining requisite service period of each award on a straight-line basis.
The Group uses the tax law ordering approach to determine the portion of the total tax expense that relates to windfall tax benefits that are to be recorded in additional paid-in capital. In addition, it elected to use the practical transition option in determining the amount of windfall tax benefits recorded in additional paid-in capital arising on awards that were fully vested prior to January 1, 2005.
Compensation expense for share-based awards that vest in annual installments (graded vesting), which only contain a service condition that affects vesting, is recognized on a straight-line basis over the service period for the entire award. However, if such awards contain a performance condition, then each installment is expensed as if it were a separate award ("front-loaded" expense recognition). Furthermore, recognition of compensation expense is accelerated to the date an employee becomes eligible for retirement. For awards granted to employees eligible for retirement prior to January 1, 2005, the Group's policy is to record compensation expense over the requisite service period.
Certain share-based awards also contain a performance condition, where the number of shares the employee is to receive is dependent on the performance (e.g., net income or return on equity (ROE)) of the Group or a division of the Group. If the employee is also required to provide the service stipulated in the award terms, the amount of compensation expense attributed to the incremental additional units expected to be received at vesting due to this performance condition is estimated on the grant date and subsequent changes in this estimate are recorded in the consolidated statements of operations over the remaining service period.
When awards contain market conditions, where the number of shares the employee receives varies based on changes in the Group share price, the incremental amount of extra shares the employee is expected to receive due to the market condition is estimated on the grant date and the total compensation expense is not adjusted thereafter for changes in the Group share price.
Certain employees own non-substantive equity interests in the form of carried interests in private equity funds managed by the Group. Expenses recognized under these ownership interests are reflected in the consolidated statements of operations in compensation and benefits.
The Group has certain option plans outstanding, primarily related to 1999 and prior years, which include a cash settlement feature. For those plans, liability award accounting is applied until settlement of the awards.
Own shares, own bonds and financial instruments on own shares
The Group may buy and sell own shares, own bonds and financial instruments on own shares within its normal trading and market-making activities. In addition, the Group may hold its own shares to satisfy commitments arising from employee share-based compensation awards. Own shares are recorded at cost and reported as treasury shares, resulting in a reduction to total shareholders' equity. Financial instruments on own shares are recorded as assets or liabilities or as equity when the criteria for equity classification are met. Dividends received by subsidiaries on own shares and unrealized and realized gains and losses on own shares classified in total shareholders' equity are excluded from the consolidated statements of operations.
Any holdings of bonds issued by any Group entity are eliminated in the consolidated financial statements.
Net interest income

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

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

Commissions and fees

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

ratably over the service period. Fees earned from providing transaction-type services are recognized when the service has been completed. Performance-linked fees or fee components are recognized at any contractual measurement date when the contractually agreed thresholds are met.
Revenues from underwriting and fees from mergers and acquisitions (M&A) and other corporate finance advisory services are recorded at the time the underlying transactions are substantially completed and there are no other contingencies associated with the fees.
Transaction-related expenses are deferred until the related revenue is recognized, assuming they are deemed direct and incremental; otherwise, they are expensed as incurred. Underwriting fees are reported net of related expenses. Expenses associated with financial advisory services are recorded in operating expenses unless reimbursed by the client.
In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered and if there is a right of return or warranties on delivered items and services, and the probability of delivery of remaining undelivered items or services. This evaluation is made on a transaction-by-transaction basis.
If the criteria noted are met, then the transaction is considered a multiple-deliverable arrangement where revenue recognition is determined separately for each deliverable. The consideration received on the total arrangement is allocated to the multiple deliverables based on the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence or third-party evidence is available.
Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis.
2 Recently issued accounting standards
Recently adopted accounting standards
ASC Topic 310 – Receivables
In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure" (ASU 2014-04), an update to ASC Topic 310 – Receivables. The amendments require interim and annual disclosure of both (i) the amount of foreclosed residential real estate property held by the creditor and (ii) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The adoption of ASU 2014-04 on January 1, 2015 did not have a material impact on the Group's financial position, results of operations and cash flows.
ASC Topic 860 – Transfers and Servicing
In June 2014, the FASB issued ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures" (ASU 2014-11), an update to ASC Topic 860 – Transfers and Servicing. ASU 2014-11 amends the accounting guidance for repurchase-to-maturity transactions and repurchase financing arrangements. As a result of these amendments repurchase-to-maturity transactions are reported as secured borrowings. For repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The amendments also specify additional disclosures that entities must include. The adoption of ASU 2014-11 on January 1, 2015 did not have a material impact on the Group's financial position, results of operations and cash flows.
Standards to be adopted in future periods
ASC Topic 205 – Presentation of Financial Statements
In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15), an update to ASC Topic 205 – Presentation of Financial Statements. The amendments in ASU 2014-15 provide guidance in US GAAP about management's responsibility to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures in the notes to the financial statements. The amendments are expected to reduce diversity in the timing and content of such disclosures. ASU 2014-15 is effective for the annual reporting period ending after December 15, 2016, and for the interim and annual reporting periods thereafter. Early

adoption is permitted. As these amendments relate only to disclosures, the adoption of ASU 2014-15 will have no impact on the Group's financial position, results of operations and cash flows.

ASC Topic 606 – Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve

the core principle. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" (ASU 2015-14). ASU 2015-14 defers the effective date of ASU 2014-09 from interim and annual periods beginning after December 15, 2016 to December 15, 2017. The Group is currently evaluating the impact of the adoption of ASU 2014-09 on the Group's financial position, results of operations and cash flows.

ASC Topic 718 – Compensation – Stock Compensation

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Topic 718 – Compensation – Stock Compensation. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

ASC Topic 810 – Consolidation

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis" (ASU 2015-02), an update to ASC Topic 810 – Consolidation. The amendments in ASU 2015-02 rescind the indefinite deferral for certain investment funds, which is included in ASU 2010-10, Consolidation (ASC Topic 810), "Amendments for Certain Investment Funds". The amendments in ASU 2015-02 also require a re-evaluation as to whether certain legal entities require consolidation under the revised consolidation model, specifically as it relates to whether limited partnerships and similar legal entities are VIEs or voting interest entities, the elimination of the presumption that a general partner controls a partnership, and the consolidation analysis of VIEs, particularly those that have fee arrangements and related party relationships. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" (ASU 2014-13), an update to ASC Topic 810 – Consolidation. ASU 2014-13 applies to reporting entities that are required to consolidate a collateralized financing entity (CFE) under the VIE guidance. These entities may elect to measure the financial assets and the financial liabilities of the CFE at fair value using either ASC Topic 820 – Fair Value Measurements or an alternative provided in ASU 2014-13. When using the measurement alternative provided in this update, the reporting entity should measure both the financial assets and the financial liabilities of the CFE, using the most observable of (i) the fair value of the financial assets and (ii) the fair value of the financial liabilities. The adoption of ASU 2014-13 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

ASC Topic 815 – Derivatives and Hedging

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity" (ASU 2014-16), an update to ASC Topic 815 – Derivatives and Hedging. The amendments in ASU 2014-16 clarify that for hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The adoption of ASU 2014-16 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

ASC Topic 820 – Fair Value Measurement

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and change the scope of certain disclosure requirements to those investments for which an entity has elected using that practical expedient. The adoption of ASU 2015-07 on January 1, 2016 resulted in modified disclosures but did not have a material impact on the Group's financial position, results of operations and cash flows.

ASC Topic 825 – Financial Instruments - Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments.

The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. Early adoption of the full standard is not permitted, however, certain sections of ASU 2016-01 relating to fair value option elected financial liabilities can be early adopted in isolation. These amendments to ASU 2016-01 require the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in accumulated other comprehensive income. The Group has early adopted these sections of the update on January 1, 2016. As a result of adoption, a reclassification of a gain from retained earnings to accumulated other comprehensive income of CHF 475 million, net of tax, was recorded. The Group is currently evaluating the impact of the adoption of the remaining sections of ASU 2016-01 on the Group's financial position, results of operations and cash flows.

ASC Topic 835 – Interest

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), an update to ASC Subtopic 835-30, "Interest – Imputation of Interest". Under ASU 2015-03, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than an asset. ASU 2015-03 is required to be applied retrospectively to all periods presented beginning in the year of adoption. The adoption of ASU 2015-03 on January 1, 2016 resulted in a reduction to both total assets and total liabilities of CHF 541 million.

ASC Topic 842 – Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 – Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-02 on the Group's financial position, results of operations and cash flows.

3 Business developments, significant shareholders and subsequent events

The Group's significant business developments for 2015 as well as the Group's significant shareholders are discussed below.

Business developments

Divestitures

> Refer to "Note 4 – Discontinued operations" for information on business divestitures that are disclosed as discontinued operations.

In August 2014, the Group announced the sale of Prime Fund Services (PFS), including the existing PFS team, to BNP Paribas. The transaction closed in the second quarter of 2015. Revenues, expenses and the pre-tax gain on the disposal from this sale were immaterial.

Mergers and acquisitions

There were no significant mergers and acquisitions in 2015.

Organizational structure

To support the execution of the strategy announced on October 21, 2015, the Group simplified its organization, which had been a matrix of two business divisions, each with co-heads, and four regions. The Group restructured and created three new, regionally focused divisions: Swiss Universal Bank, Asia Pacific and International Wealth Management serving Western Europe, Central and Eastern Europe, Latin America and Africa.

Two other divisions – Global Markets and Investment Banking & Capital Markets – sit alongside these regional businesses. These operating businesses are supported by a number of focused functions at the Group Executive Board level, including a newly established position of Chief Operating Officer, tasked with driving the transformation of the Group into a more decentralized organization, and a new position of Chief Compliance and Regulatory Affairs Officer, who coordinates the Group's strategic and increasingly important relationships with regulators across the world.

In addition, the Group has formed a Strategic Resolution Unit that oversees the effective wind-down of the bank's portfolios that do not fit its strategic direction, including those in the former non-strategic units.

Reflecting the new management structure, the Group's financial reporting is presented as six reporting segments, including the new Strategic Resolution Unit. Corporate Center is presented inclusive of overall costs of shared services, providing the pre- and post-allocated view of these costs.

Transfer of US private banking business

In October 2015, the Group announced that it had entered into an exclusive recruiting arrangement to transfer its US domestic private banking relationship managers, their clients and certain other staff to Wells Fargo's brokerage business, Wells Fargo Advisors, by early 2016.

Capital increase

On November 19, 2015, the Group held an Extraordinary General Meeting, at which shareholders approved two capital increases. The Group completed the first capital increase by way of a private placement of 58,000,000 newly issued shares to a number of qualified investors. Credit Suisse completed the second capital increase by way of a

rights offering. By the end of the rights exercise period on December 3, 2015, 99.0% of the rights had been exercised and 258,445,328 newly issued shares were subscribed. The Group sold in the market the remaining 2,538,570 newly issued shares that were not subscribed. The capital increases resulted in 318,983,898 newly issued shares and gross proceeds for the Group of CHF 6.0 billion.

Significant shareholders registered in the share register

end of			2015			2014
	Number of shares (million)	Total nominal value (CHF million)	Shareholding (%)	Number of shares (million)	Total nominal value (CHF million)	Shareholding (%)
Direct shareholders [1]						
Chase Nominees Ltd. [2]	313	13	15.99	276	11	17.17
Crescent Holding GmbH	–	–	[3]	88	4	5.51

1
As registered in the share register of the Group on December 31 of the reporting period; includes shareholders registered as nominees or ADS depositary bank.
2
Nominee holdings exceeding 2% are registered with a right to vote only if the nominee confirms that no individual shareholder holds more than 0.5% of the outstanding share capital or if the nominee discloses the identity of any beneficial owner holding more than 0.5% of the outstanding capital.
3
Participation was lower than the disclosure threshold of 5%.

Information received from shareholders not registered in the share register

In addition to the shareholdings registered in the share register of the Group, the Group has obtained and reported to the SIX Swiss Exchange the following information directly from its shareholders in accordance with the notification requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA). These shareholders may hold their shareholdings in Group shares through a nominee.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares in 2014 and 2015.

In 2015, the Group received disclosure notifications from Norges Bank, The Olayan Group and Qatar Holding LLC that their holdings of registered Group shares have fallen below the 5% threshold.

In a disclosure notification that the Group published on February 12, 2016, the Group was notified that as of February 8, 2016, Norges Bank held 98.5 million shares or 5.03% of the registered Group shares issued as of the date of the notified transaction.

Subsequent events

On March 23, 2016, the Group announced a number of additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower its cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the reshaping of the Global Markets business and further strengthen its capital position. The additional measures and new financial objectives include:

– increasing the gross savings target of CHF 3.5 billion by year-end 2018 to CHF 4.3 billion. The net cost savings target in the same time period has increased from CHF 2.0 billion to at least CHF 3.0 billion. These measures are expected to lead to an absolute cost base of CHF 18.0 billion or less by year-end 2018;
– setting a gross cost savings target for the Group of CHF 1.7 billion by year-end 2016;
– reducing the risk-weighted assets target in the Global Markets division from approximately USD 83 – 85 billion to USD 60 billion and the leverage exposure target from approximately USD 380 billion to USD 290 billion by year-end 2016;
– exiting the Distressed Credit, European Securitized Products trading and Long-Term Illiquid Financing businesses in Global Markets;
– the assets from businesses the Group is exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016 and the Group is consolidating foreign exchange trading into its trading operations within Swiss Universal Bank; and

– disposals of real estate and non-core businesses and other actions to increase CET1 capital by at least CHF 1 billion during 2016.

The cost reduction program is based on the 2015 cost base and measured on constant foreign exchange rates and based on an expense run rate excluding major litigation expenses, goodwill impairment charges and estimated restructuring costs of CHF 2.0 billion (previously announced CHF 1.3 billion), but including other costs to achieve the savings, which do not meet the accounting definition of restructuring costs. Implementation of these strategy measures will lead to a recasting of prior period segment results, principally in respect of the Global Markets business and the Strategic Resolution Unit, and an assessment of certain balance sheet items.

4 Discontinued operations

There were no operations that were discontinued in 2015.

For operations discontinued in 2014 and 2013, the revenues, expenses and gains from disposals were included in the results of the relevant segments. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

The results of operations of the businesses sold have been reflected in income/(loss) from discontinued operations in the

consolidated statements of operations for the relevant periods presented. The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets of discontinued operations held-for-sale and liabilities of discontinued operations held-for-sale, respectively, and prior periods are not reclassified.

Income/(loss) from discontinued operations

in	2014	2013
Operations-related (CHF million)		
Net revenues	**31**	**233**
of which German private banking business	27	52
of which ETF business	–	29
of which Strategic Partners	–	33
of which CFIG	0	114
Operating expenses	35	158
of which German private banking business	33	71
of which ETF business	–	23
of which Strategic Partners	–	8
of which CFIG	0	51
Income tax expense/(benefit)	1	38
of which German private banking business	0	(6)
of which ETF business	–	5
of which Strategic Partners	–	10
of which CFIG	0	29
Income/(loss), net of tax	**(5)**	**37**
of which German private banking business	(6)	(13)
of which ETF business	–	1
of which Strategic Partners	–	15
of which CFIG	0	34
Transaction-related (CHF million)		
Gain on disposal	**200**	**237**
of which German private banking business	109	–
of which ETF business	–	146
of which Strategic Partners	–	91
of which CFIG	91	–
Operating expenses	54	93
of which German private banking business	48	–
of which ETF business	–	11
of which Strategic Partners	–	22
of which CFIG	–	56
Income tax expense/(benefit)	39	36
of which ETF business	–	21
of which Strategic Partners	–	40
of which CFIG	42	(24)
Income/(loss), net of tax	**107**	**108**
of which German private banking business	61	–
of which ETF business	–	114
of which Strategic Partners	–	29
of which CFIG	49	(32)
Discontinued operations – total (CHF million)		
Income/(loss) from discontinued operations, net of tax	**102**	**145**
of which German private banking business	55	(13)
of which ETF business	–	115

of which Strategic Partners	–	44
of which CFIG	49	2

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5 Segment information

The Group is a global financial services company domiciled in Switzerland and serves its clients through 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. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with the strategic direction.

The segment information reflects the Group's six reportable segments, which are managed and reported on a pre-tax basis, as follows:

– The **Swiss Universal Bank** division offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients primarily domiciled in the Group's home market Switzerland. The private banking business serves >>>ultra-high-net-worth individuals (UHNWI), >>>high-net-worth individuals and retail clients and the corporate & institutional banking business serves large corporate clients, small and medium size enterprises, institutional clients and financial institutions.

– The **International Wealth Management** division offers tailored private banking financial solutions to wealthy private clients and external asset managers in Europe, Middle East and Africa (EMEA) and Latin America. The asset management business offers investment solutions and services globally to the private banking businesses and a wide range of other clients, including pension funds, governments, foundations and endowments, corporations and individuals.

– The **Asia Pacific** division offers integrated private banking and investment banking financial solutions to wealthy individuals, institutional investors and corporate clients in the Asia Pacific region, empowered with the tools of the Group's global resources. The division offers institutional investors access to broader financial markets and differentiated product offerings.

– The **Global Markets** division offers a broad range of equities and fixed income products and services and focuses on client-driven businesses and supporting the Group's private banking and wealth management businesses and its clients. The clients include financial institutions, corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world.

– The **Investment Banking & Capital Markets** division offers a broad range of investment banking services to corporations, financial institutions, financial sponsors and UHNWI and sovereign clients. The suite of products and services includes advisory services related to M&A, 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.

– The **Strategic Resolution Unit** was created to facilitate the immediate right-sizing of the business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from the business divisions. The Strategic Resolution Unit also includes noncontrolling interest-related revenues and expenses resulting from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest (SEI) in such revenues and expenses. The consolidation of these entities does not affect net income attributable to shareholders as the amounts recorded in net revenues and total operating expenses are offset by corresponding amounts reported as noncontrolling interests.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, the Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. For the operations discontinued in prior years, the revenues, expenses and gains from disposals were included in the results of the segments. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

Revenue sharing and cost allocation

Responsibility for each product is allocated to a 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 cost allocation agreements is to reflect the pricing structure of unrelated third-party transactions.

Corporate services and business support 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 Corporate Center based on their requirements and other relevant measures.

Funding

The Group centrally manages its funding activities. New securities for funding and capital purposes are issued primarily by Credit Suisse AG, the Swiss bank subsidiary of the Group (the Bank). The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to capitalize on opportunities. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital.

Transfer pricing, using market rates, is used to record net revenues and expenses in each of the segments for this capital and funding. The Group's funds transfer pricing system is designed to allocate funding costs to its businesses in a way that incentivizes their efficient use of funding. The Group's 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 the 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, the Group's businesses are also credited to the extent they provide long-term stable funding.

Net revenues and income/(loss) from continuing operations before taxes

in	2015	2014	2013
Net revenues (CHF million)			
Swiss Universal Bank	5,563	5,721	5,612
International Wealth Management	4,394	4,751	4,929
Asia Pacific	3,839	3,335	3,018
Global Markets	7,391	8,613	8,974
Investment Banking & Capital Markets	1,752	2,106	2,014
Strategic Resolution Unit	413	1,168	1,630
Corporate Center	445	548	(321)
Net revenues	**23,797**	**26,242**	**25,856**
Income/(loss) from continuing operations before taxes (CHF million)			
Swiss Universal Bank	1,659	1,976	1,740
International Wealth Management	709	1,212	1,217
Asia Pacific	377	900	752
Global Markets	(1,944)	2,657	3,012
Investment Banking & Capital Markets	(353)	508	581
Strategic Resolution Unit	(2,510)	(3,573)	(2,558)
Corporate Center	(360)	(53)	(648)
Income/(loss) from continuing operations before taxes	**(2,422)**	**3,627**	**4,096**

Total assets

end of	2015	2014
Total assets (CHF million)		
Swiss Universal Bank	218,306	213,888
International Wealth Management	94,033	92,466
Asia Pacific	85,929	105,574
Global Markets	262,201	365,580
Investment Banking & Capital Markets	19,800	14,928
Strategic Resolution Unit	77,664	107,464
Corporate Center	62,872	21,562
Total assets	**820,805**	**921,462**

Net revenues and income/(loss) from continuing operations before taxes by geographic location

in	2015	2014	2013
Net revenues (CHF million)			
Switzerland	8,548	8,247	8,035
EMEA	3,846	4,358	4,744
Americas	8,470	11,097	10,810
Asia Pacific	2,933	2,540	2,267
Net revenues	**23,797**	**26,242**	**25,856**
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	1,746	401	642
EMEA	(1,464)	(562)	157
Americas	(2,877)	3,739	3,365
Asia Pacific	173	49	(68)
Income/(loss) from continuing operations before taxes	**(2,422)**	**3,627**	**4,096**

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Group is managed.

Total assets by geographic location

end of	2015	2014
Total assets (CHF million)		
Switzerland	221,372	211,558
EMEA	162,232	188,420
Americas	355,542	428,253
Asia Pacific	81,659	93,231
Total assets	**820,805**	**921,462**

The designation of total assets by region is based upon customer domicile.

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6 Net interest income

in	2015	2014	2013
Net interest income (CHF million)			
Loans	5,413	5,077	4,843
Investment securities	65	39	45
Trading assets	9,046	9,503	10,057
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,625	2,317	2,517
Other	2,192	2,125	2,094
Interest and dividend income	19,341	19,061	19,556
Deposits	(884)	(1,045)	(978)
Short-term borrowings	(105)	(119)	(132)
Trading liabilities	(3,854)	(3,938)	(5,083)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,264)	(1,042)	(1,156)
Long-term debt	(3,728)	(3,594)	(3,846)
Other	(207)	(289)	(246)
Interest expense	(10,042)	(10,027)	(11,441)
Net interest income	**9,299**	**9,034**	**8,115**

7 Commissions and fees

in	2015	2014	2013
Commissions and fees (CHF million)			
Lending business	1,578	1,752	1,814
Investment and portfolio management	3,436	3,734	3,944
Other securities business	65	94	106
Fiduciary business	3,501	3,828	4,050
Underwriting	1,644	1,878	1,647
Brokerage	3,648	3,696	3,933
Underwriting and brokerage	5,292	5,574	5,580
Other services	1,673	1,897	1,782
Commissions and fees	**12,044**	**13,051**	**13,226**

8 Trading revenues

in	2015	2014	2013
Trading revenues (CHF million)			
Interest rate products	2,965	5,888	1,025
Foreign exchange products	(1,121)	(4,398)	1,203
Equity/index-related products	(259)	275	956
Credit products	1	265	(879)
Commodity, emission and energy products	(46)	(228)	340
Other products	(200)	224	94
Trading revenues	**1,340**	**2,026**	**2,739**

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

Trading revenues includes revenues from trading financial assets and liabilities as follows:
– Equities;
– Commodities;
– Listed and >>>OTC derivatives;
– >>>Derivatives linked to funds of hedge funds and providing financing facilities to funds of hedge funds;
– Market making in the government bond and associated OTC derivative swap markets;
– Domestic, corporate and sovereign debt, convertible and non-convertible preferred stock and short-term securities such as floating rate notes and >>>commercial paper (CP);
– Market making and positioning in foreign exchange products;
– Credit derivatives on investment grade and high yield credits;
– Trading and securitizing all forms of securities that are based on underlying pools of assets; and
– Life settlement contracts.

Trading revenues also includes changes in the >>>fair value of financial assets and liabilities elected to fair value under US GAAP. The main components include certain instruments from the following categories:
– Central bank funds purchased/sold;
– Securities purchased/sold under resale/>>>repurchase agreements;
– Securities borrowing/lending transactions;
– Loans and loan commitments; and
– Customer deposits, short-term borrowings and long-term debt.

Managing the risks

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

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

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9 Other revenues

in	2015	2014	2013
Other revenues (CHF million)			
Noncontrolling interests without SEI	9	436	658
Loans held-for-sale	(19)	(4)	(5)
Long-lived assets held-for-sale	36	392	30
Equity method investments	243	252	251
Other investments	144	312	315
Other	701	743	527
Other revenues	**1,114**	**2,131**	**1,776**

10 Provision for credit losses

in	2015	2014	2013
Provision for credit losses (CHF million)			
Provision for loan losses	295	145	166
Provision for lending-related and other exposures	29	41	1
Provision for credit losses	**324**	**186**	**167**

11 Compensation and benefits

in	2015	2014	2013
Compensation and benefits (CHF million)			
Salaries and variable compensation	10,051	9,884	9,678
Social security	788	793	778
Other [1]	707	657	800
Compensation and benefits [2]	**11,546**	**11,334**	**11,256**

1
Includes pension and other post-retirement expense of CHF 359 million, CHF 361 million and CHF 490 million in 2015, 2014 and 2013, respectively.
2
Includes severance and other compensation expense relating to headcount reductions of CHF 89 million, CHF 275 million and CHF 216 million in 2015, 2014 and 2013, respectively.

12 General and administrative expenses

in	2015	2014	2013
General and administrative expenses (CHF million)			
Occupancy expenses	1,022	1,177	1,186
IT, machinery, etc.	1,268	1,446	1,517
Provisions and losses	1,158	2,783	2,136
Travel and entertainment	381	353	355
Professional services	3,241	2,381	1,952
Amortization and impairment of other intangible assets	19	24	25
Other	1,485	1,370	1,416
General and administrative expenses	**8,574**	**9,534**	**8,587**

13 Restructuring expenses

In connection with the strategic review of the Group, restructuring expenses of CHF 355 million were recognized in 2015. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and real estate contract termination costs.

Restructuring expenses by segment

in	2015
Restructuring expenses by segment (CHF million)	
Swiss Universal Bank	39
International Wealth Management	33
Asia Pacific	3
Global Markets	105
Investment Banking & Capital Markets	22
Strategic Resolution Unit	153
Total restructuring expenses	**355**

Restructuring expenses by type

in	2015
Restructuring expenses by type (CHF million)	
Compensation and benefits-related expenses	309
of which severance expenses	191
of which accelerated deferred compensation	87
of which pension expenses	31
General and administrative-related expenses	46
Total restructuring expenses	**355**

Restructuring provision

			2015
	Severance expenses	General and administrative-related expenses	Total
Restructuring provision (CHF million)			
Balance at beginning of period	**0**	**0**	**0**
Net additional charges	191	46	237[1]
Utilization	(4)	(34)	(38)
Balance at end of period	**187**	**12**	**199**

1

The following items for which expense accretion was accelerated in 2015 due to the restructuring of the Group are not included in the restructuring provision: unsettled share-based compensation of CHF 23 million and unsettled pension obligations of CHF 31 million, which remain classified as a component of total shareholders' equity; and unsettled cash-based deferred compensation of CHF 64 million, which remains classified as compensation liabilities. The settlement date for the unsettled share-based compensation remains unchanged at three years.

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14 Earnings per share

in	2015	2014	2013
Basic net income/(loss) attributable to shareholders (CHF million)			
Income/(loss) from continuing operations	**(2,944)**	**1,773**	**2,181**
Income from discontinued operations, net of tax	0	102	145
Net income/(loss) attributable to shareholders	**(2,944)**	**1,875**	**2,326**
Preferred securities dividends	–	(53)	(236)
Net income/(loss) attributable to shareholders for basic earnings per share	**(2,944)**	**1,822**	**2,090**
Available for common shares	(2,958)	1,743	1,873
Available for unvested share-based payment awards	14	79	148
Available for mandatory convertible securities [1]	–	–	69
Diluted net income/(loss) attributable to shareholders (CHF million)			
Net income/(loss) attributable to shareholders for diluted earnings per share	**(2,944)**	**1,822**	**2,090**
Available for common shares	(2,958)	1,743	1,874
Available for unvested share-based payment awards	14	79	148
Available for mandatory convertible securities [1]	–	–	68
Weighted-average shares outstanding (million)			
Weighted-average shares outstanding for basic earnings per share available for common shares	**1,706.3**	**1,665.1**	**1,581.6**
Dilutive share options and warrants	0.0	0.8	1.4
Dilutive share awards	0.0	12.2	1.2
Weighted-average shares outstanding for diluted earnings per share available for common shares [2]	**1,706.3**[3]	**1,678.1**	**1,584.2**
Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards	**25.7**	**72.7**	**125.0**
Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]	**–**	**–**	**63.0**
Basic earnings/(loss) per share available for common shares (CHF)			
Basic earnings/(loss) per share from continuing operations	(1.73)	0.99	1.10
Basic earnings per share from discontinued operations	0.00	0.06	0.08
Basic earnings/(loss) per share available for common shares	**(1.73)**	**1.05**	**1.18**
Diluted earnings/(loss) per share available for common shares (CHF)			
Diluted earnings/(loss) per share from continuing operations	(1.73)	0.98	1.10
Diluted earnings per share from continuing operations	0.00	0.06	0.08
Diluted earnings/(loss) per share available for common shares	**(1.73)**	**1.04**	**1.18**

Prior periods have been adjusted to reflect the increase in the number of shares outstanding as a result of the discount element in the 2015 rights issue, as required under US GAAP.

1
Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.
2
Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 7.6 million, 8.9 million and 35.9 million for 2015, 2014 and 2013, respectively.
3
Due to the net loss in 2015, 0.9 million weighted-average share options and warrants outstanding and 47.8 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

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15 Securities borrowed, lent and subject to repurchase agreements

end of	2015	2014
Securities borrowed or purchased under agreements to resell (CHF million)		
Central bank funds sold and securities purchased under resale agreements	78,474	100,169
Deposits paid for securities borrowed	44,575	63,039
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**123,049**	**163,208**
Securities lent or sold under agreements to repurchase (CHF million)		
Central bank funds purchased and securities sold under repurchase agreements	36,754	60,752
Deposits received for securities lent	9,844	9,367
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**46,598**	**70,119**

>>>Repurchase and >>>reverse repurchase agreements represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time.

In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. In the Group's normal course of business, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of December 31, 2015 and 2014.

16 Trading assets and liabilities

end of	2015	2014
Trading assets (CHF million)		
Debt securities	80,542	94,391
Equity securities	70,961	94,294
Derivative instruments [1]	28,365	38,012
Other	10,869	14,434
Trading assets	**190,737**	**241,131**
Trading liabilities (CHF million)		
Short positions	25,485	35,784
Derivative instruments [1]	23,486	36,871
Trading liabilities	**48,971**	**72,655**

1
Amounts shown after counterparty and cash collateral netting.

Cash collateral on derivative instruments

end of	2015	2014
Cash collateral – netted (CHF million) [1]		
Cash collateral paid	31,887	33,404
Cash collateral received	21,942	28,147
Cash collateral – not netted (CHF million) [2]		
Cash collateral paid	7,921	10,905
Cash collateral received	13,989	17,043

1
Recorded as cash collateral netting on derivative instruments in Note 27 – Offsetting of financial assets and financial liabilities.

2
Recorded as cash collateral on derivative instruments in Note 23 – Other assets and other liabilities.

17 Investment securities

end of	2015	2014
Investment securities (CHF million)		
Securities available-for-sale	3,090	2,791
Total investment securities	**3,090**	**2,791**

Investment securities by type

end of				2015				2014
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investment securities by type (CHF million)								
Debt securities issued by Swiss federal, cantonal or local governmental entities	273	21	0	294	286	18	0	304
Debt securities issued by foreign governments	1,382	34	0	1,416	2,020	47	1	2,066
Corporate debt securities	285	0	0	285	313	0	0	313
Residential mortgage-backed securities	750	0	0	750	0	0	0	0
Commercial mortgage-backed securities	259	0	0	259	0	0	0	0
Debt securities available-for-sale	2,949	55	0	3,004	2,619	65	1	2,683
Banks, trust and insurance companies	65	20	0	85	73	25	0	98
Industry and all other	1	0	0	1	10	0	0	10
Equity securities available-for-sale	66	20	0	86	83	25	0	108
Securities available-for-sale	**3,015**	**75**	**0**	**3,090**	**2,702**	**90**	**1**	**2,791**

Gross unrealized losses on investment securities and the related fair value

		Less than 12 months		12 months or more		Total
end of	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
2014 (CHF million)						
Debt securities issued by foreign governments	49	1	0	0	49	1
Debt securities available-for-sale	**49**	**1**	**0**	**0**	**49**	**1**

There were no unrealized losses on investment securities as of the end of 2015. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Proceeds from sales, realized gains and realized losses from available-for-sale securities

in	2015	2014	2013

	Debt securities	Equity securities	Debt securities	Equity securities	Debt securities	Equity securities
Additional information (CHF million)						
Proceeds from sales	1	17	915	15	163	13
Realized gains	0	2	17	1	7	1
Realized losses	0	0	(1)	0	0	0

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Amortized cost, fair value and average yield of debt securities

	Debt securities available-for-sale		
end of	Amortized cost	Fair value	Average yield (in %)
2015 (CHF million)			
Due within 1 year	366	366	0.43
Due from 1 to 5 years	1,420	1,459	0.91
Due from 5 to 10 years	147	161	1.12
Due after 10 years	1,016	1,018	2.97
Total debt securities	**2,949**	**3,004**	**1.57**

18 Other investments

end of	2015	2014
Other investments (CHF million)		
Equity method investments	2,876	3,453
Non-marketable equity securities [1]	2,000	2,717
Real estate held for investment [2]	412	547
Life finance instruments [3]	1,733	1,896
Total other investments	**7,021**	**8,613**

1
Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee.
2
As of December 31, 2015 and 2014, real estate held for investment included foreclosed or repossessed real estate of CHF 38 million and CHF 42 million, respectively, of which CHF 36 million and CHF 42 million, respectively were related to residential real estate.
3
Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities held by subsidiaries that are considered investment companies are held by separate legal entities that are within the scope of ASC Topic 946 – Financial Services – Investment Companies. In addition, non-marketable equity securities held by subsidiaries that are considered broker-dealer entities are held by separate legal entities that are within the scope of ASC Topic 940 – Financial Services – Brokers and Dealers. Non-marketable equity securities include investments in entities that regularly calculate NAV per share or its equivalent.

> Refer to “Note 35 – Financial instruments” for further information on such investments.

Substantially all non-marketable equity securities are carried at >>>fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Group performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 21 million, CHF 10 million and CHF 48 million were recorded in 2015, 2014 and 2013, respectively.

The accumulated depreciation related to real estate held for investment amounted to CHF 365 million, CHF 354 million and CHF 340 million for 2015, 2014 and 2013, respectively.

19 Loans, allowance for loan losses and credit quality

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

The determination of the loan classes is primarily driven by the customer segmentation in the private banking, corporate and institutional as well as investment banking businesses across the Group’s core business divisions, all of which are engaged in lending activities.

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

Loans

end of	2015	2014
Loans (CHF million)		
Mortgages	103,164	98,802
Loans collateralized by securities	37,946	39,818
Consumer finance	3,766	4,323
Consumer	144,876	142,943
Real estate	26,451	29,198
Commercial and industrial loans	77,767	75,046
Financial institutions	21,334	22,343
Governments and public institutions	3,578	3,891
Corporate & institutional	129,130	130,478
Gross loans	**274,006**	**273,421**
of which held at amortized cost	253,186	250,508
of which held at fair value	20,820	22,913
Net (unearned income)/deferred expenses	(145)	(112)
Allowance for loan losses	(866)	(758)
Net loans	**272,995**	**272,551**
Gross loans by location (CHF million)		
Switzerland	155,771	155,767
Foreign	118,235	117,654
Gross loans	**274,006**	**273,421**
Impaired loan portfolio (CHF million)		
Non-performing loans	983	753
Non-interest-earning loans	272	279
Total non-performing and non-interest-earning loans	1,255	1,032
Restructured loans	282	171
Potential problem loans	436	187
Total other impaired loans	718	358
Gross impaired loans	**1,973**	**1,390**

Allowance for loan losses

	2015			2014			2013		
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)									
Balance at beginning of period	**251**	**507**	**758**	**267**	**602**	**869**	**288**	**634**	**922**
Changes in scope of consolidation	0	0	0	0	0	0	0	(1)	(1)
Net movements recognized in statements of operations	66	229	295	66	79	145	76	90	166
Gross write-offs	(118)	(111)	(229)	(108)	(241)	(349)	(123)	(163)	(286)
Recoveries	12	16	28	17	24	41	24	30	54
Net write-offs	(106)	(95)	(201)	(91)	(217)	(308)	(99)	(133)	(232)
Provisions for interest	6	12	18	1	19	20	5	21	26
Foreign currency translation impact and other adjustments, net	(1)	(3)	(4)	8	24	32	(3)	(9)	(12)
Balance at end of period	**216**	**650**	**866**	**251**	**507**	**758**	**267**	**602**	**869**
of which individually evaluated for impairment	170	480	650	202	338	540	217	437	654
of which collectively evaluated for impairment	46	170	216	49	169	218	50	165	215
Gross loans held at amortized cost (CHF million)									
Balance at end of period	**144,855**	**108,331**	**253,186**	**142,926**	**107,582**	**250,508**	**132,470**	**96,087**	**228,557**
of which individually evaluated for impairment [1]	647	1,326	1,973	582	808	1,390	569	920	1,489
of which collectively	144,208	107,005	251,213	142,344	106,774	249,118	131,901	95,167	227,068

evaluated for
impairment
1
Represents gross impaired loans both with and without a specific allowance.

Purchases, reclassifications and sales

in		2015			2014			2013	
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Loans held at amortized cost (CHF million)									
Purchases [1]	389	4,294	4,683	181	4,127	4,308	0	4,611	4,611
Reclassifications from loans held-for-sale [2]	0	355	355	0	397	397	0	275	275
Reclassifications to loans held-for-sale [3]	1,641	735	2,376	1,055	806	1,861	0	996	996
Sales [3]	0	373	373	0	272	272	0	698	698

1
Includes drawdowns under purchased loan commitments.
2
Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
3
All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

Credit quality of loans held at amortized cost

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

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

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

Internal ratings are assigned to all loans reflecting the Group's internal view of the credit quality of the counterparty. Internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. For the calculation of internal risk estimates and >>>risk-weighted assets, a PD is assigned to each loan. For consumer loans, corporates managed on the Swiss platform and since 2015 the majority of all other corporate and institutional counterparties, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative factors (primarily balance sheet information for corporates and loan-to-value ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus). For models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes. For the remaining corporate and institutional facilities, which until the end of 2014 included all corporate and institutional loans excluding corporates managed on the Swiss platform, the PD is determined through an internal rating assigned on the basis of a structured expert approach. The PD for each internal rating is calibrated to historic default experience using internal data and external data from Standard & Poor's.

Since the fourth quarter of 2015, the Group's internal credit rating methodology for >>>lombard loans in the Group's main locations in the Asia Pacific region across all loan classes considers the quality and diversification of collateral securities as a basis for determining the internal risk rating both for regulatory and financial reporting purposes. The change in the internal rating methodology for lombard loans in these locations did not have a significant impact on the Group's total investment grade and non-investment grade loans.

>>>Reverse repurchase agreements are fully collateralized and in the event of counterparty default the reverse repurchase agreement provides the Group the right to liquidate the collateral held. Group risk management manages these instruments on the basis of the value of the underlying collateral, as opposed to loans, which are risk-managed on the ability of the counterparty to repay. Therefore the underlying collateral coverage is the most appropriate credit quality indicator for reverse repurchase agreements. In addition, the Group has elected the >>>fair value option for the majority of its reverse repurchase agreements. As such, reverse repurchase agreements have not been included in the following tables.

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

Gross loans held at amortized cost by internal counterparty rating

	Investment grade	Non-investment grade		
end of	Ratings AAA to BBB	Ratings BB to C	Rating D	Total
2015 (CHF million)				
Mortgages	89,966	12,950	248	103,164
Loans collateralized by securities	36,129	1,679	138	37,946
Consumer finance	1,247	2,272	226	3,745
Consumer	127,342	16,901	612	144,855
Real estate	19,454	6,126	98	25,678
Commercial and industrial loans	32,995	32,365	859	66,219
Financial institutions	12,391	2,965	149	15,505
Governments and public institutions	824	105	0	929
Corporate & institutional	65,664	41,561	1,106	108,331
Gross loans held at amortized cost	**193,006**	**58,462**	**1,718**	**253,186**
Value of collateral [1]	178,649	48,422	1,063	228,134
2014 (CHF million)				
Mortgages	82,360	16,249	193	98,802
Loans collateralized by securities	37,426	2,306	86	39,818
Consumer finance	1,717	2,348	241	4,306
Consumer	121,503	20,903	520	142,926
Real estate	20,883	7,224	68	28,175
Commercial and industrial loans	31,362	31,473	541	63,376
Financial institutions	11,893	2,624	106	14,623
Governments and public institutions	992	416	0	1,408
Corporate & institutional	65,130	41,737	715	107,582
Gross loans held at amortized cost	**186,633**	**62,640**	**1,235**	**250,508**
Value of collateral [1]	174,338	50,631	650	225,619

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

Value of collateral

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

In the Group's investment banking businesses, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

Gross loans held at amortized cost – aging analysis

	Current				Past due		
end of		Up to 30 days	31–60 days	61–90 days	More than 90 days	Total	Total
2015 (CHF million)							
Mortgages	102,895	80	17	10	162	269	103,164
Loans collateralized by securities	37,589	214	7	1	135	357	37,946
Consumer finance	3,321	176	36	33	179	424	3,745
Consumer	143,805	470	60	44	476	1,050	144,855
Real estate	25,595	24	3	1	55	83	25,678
Commercial and industrial loans	65,129	507	109	69	405	1,090	66,219
Financial institutions	15,259	90	45	2	109	246	15,505
Governments and public institutions	928	1	0	0	0	1	929
Corporate & institutional	106,911	622	157	72	569	1,420	108,331
Gross loans held at amortized cost	**250,716**	**1,092**	**217**	**116**	**1,045**	**2,470**	**253,186**
2014 (CHF million)							
Mortgages	98,519	99	14	9	161	283	98,802
Loans collateralized by securities	39,648	81	1	1	87	170	39,818
Consumer finance	3,784	231	60	46	185	522	4,306
Consumer	141,951	411	75	56	433	975	142,926
Real estate	28,084	24	1	4	62	91	28,175
Commercial and industrial loans	62,305	719	20	39	293	1,071	63,376
Financial institutions	14,459	41	0	0	123	164	14,623
Governments and public institutions	1,383	25	0	0	0	25	1,408
Corporate & institutional	106,231	809	21	43	478	1,351	107,582
Gross loans held at amortized cost	**248,182**	**1,220**	**96**	**99**	**911**	**2,326**	**250,508**

Impaired loans

Categories of impaired loans

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

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

As of December 31, 2015 and 2014, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2015 and 2014, the Group did not have any material commitments to lend additional funds to debtors whose loan terms had been modified in troubled debt restructurings.

Gross impaired loans by category

	Non-performing and non-interest-earning loans			Other impaired loans			
end of	Non-performing loans	Non-interest-earning loans	Total	Restructured loans	Potential problem loans	Total	Total
2015 (CHF million)							
Mortgages	197	17	214	18	49	67	281[1]
Loans collateralized by securities	108	27	135	0	3	3	138
Consumer finance	204	23	227	0	1	1	228
Consumer	509	67	576	18	53	71	647
Real estate	53	19	72	0	29	29	101
Commercial and industrial loans	333	136	469	263	319	582	1,051
Financial institutions	88	50	138	1	35	36	174
Corporate & institutional	474	205	679	264	383	647	1,326
Gross impaired loans	**983**	**272**	**1,255**	**282**	**436**	**718**	**1,973**
2014 (CHF million)							
Mortgages	189	19	208	4	39	43	251[1]
Loans collateralized by securities	11	75	86	0	2	2	88
Consumer finance	225	17	242	0	1	1	243
Consumer	425	111	536	4	42	46	582
Real estate	50	16	66	0	9	9	75
Commercial and industrial loans	190	116	306	167	133	300	606
Financial institutions	88	36	124	0	3	3	127
Corporate & institutional	328	168	496	167	145	312	808
Gross impaired loans	**753**	**279**	**1,032**	**171**	**187**	**358**	**1,390**

1
As of December 31, 2015 and 2014, CHF 68 million and CHF 80 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

Write-off and recovery of loans

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. In the Group's investment banking businesses, a loan is written down to its net book value once the loan provision is greater than 80% of the loan notional amount, unless repayment of the loan is anticipated to occur within the next two quarters. In the Group's private banking, corporate and institutional businesses, write-offs are made, based on an individual counterparty assessment performed by Group credit risk management, if it is certain that parts of a loan will not be recoverable. For collateralized loans, the collateral is assessed and the unsecured exposure is written off. Write-offs on uncollateralized loans are based on the borrower's ability to pay back the outstanding loan out of free cash flow. The Group evaluates the recoverability of the loans granted, if a borrower is expected to default wholly or partly on its payment obligations or to meet these only with third-party support. Adjustments are made to reflect the estimated realizable value of the loan or any collateral. Triggers to assess the creditworthiness of a borrower to absorb the adverse developments include i) a default on interest or principal payments by more than 90 days, ii) a waiver of interest or principal by the Group, iii) a downgrade of the loan to non-interest-earning, iv) the collection of the debt through seizure order, bankruptcy proceedings or realization of collateral, or v) the insolvency of the borrower. Based on such assessment, Group credit risk management evaluates the need for write-offs individually and on an ongoing basis.

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

Gross impaired loan details

end of			2015			2014
	Recorded investment	Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance	Associated specific allowance
Gross impaired loan detail (CHF million)						
Mortgages	209	196	26	205	194	27
Loans collateralized by securities	117	112	15	63	60	53
Consumer finance	221	201	129	236	217	122
Consumer	547	509	170	504	471	202
Real estate	76	72	10	68	64	7
Commercial and industrial loans	815	796	387	599	570	259
Financial institutions	172	166	83	126	120	72
Corporate & institutional	1,063	1,034	480	793	754	338
Gross impaired loans with a specific allowance	**1,610**	**1,543**	**650**	**1,297**	**1,225**	**540**
Mortgages	72	71	–	46	46	–
Loans collateralized by securities	21	22	–	25	25	–
Consumer finance	7	7	–	7	7	–
Consumer	100	100	–	78	78	–
Real estate	25	25	–	7	7	–
Commercial and industrial loans	236	236	–	7	7	–
Financial institutions	2	2	–	1	1	–
Corporate & institutional	263	263	–	15	15	–
Gross impaired loans without specific allowance	**363**	**363**	**–**	**93**	**93**	**–**
Gross impaired loans	**1,973**	**1,906**	**650**	**1,390**	**1,318**	**540**
of which consumer	647	609	170	582	549	202
of which corporate & institutional	1,326	1,297	480	808	769	338

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Gross impaired loan details (continued)

in			2015			2014			2013
	Average recorded investment	Interest income recognized	Interest income recognized on a cash basis	Average recorded investment	Interest income recognized	Interest income recognized on a cash basis	Average recorded investment	Interest income recognized	Interest income recognized on a cash basis
Gross impaired loan detail (CHF million)									
Mortgages	190	2	2	205	2[1]	2[1]	204	3[1]	2
Loans collateralized by securities	82	0	0	65	1[1]	1[1]	70	2	2
Consumer finance	228	1	1	237	1	1	256	0	0
Consumer	500	3	3	507	4	4	530	5	4
Real estate	74	0	0	75	0	0	72	1	1
Commercial and industrial loans	626	7	3	667	10[1]	4[1]	748	12[1]	6
Financial institutions	149	1	1	127	0	0	136	1[1]	1
Governments and public institutions	0	0	0	5	0	0	0	0	0
Corporate & institutional	849	8	4	874	10	4	956	14	8
Gross impaired loans with a specific allowance	**1,349**	**11**	**7**	**1,381**	**14**	**8**	**1,486**	**19**	**12**
Mortgages	51	4	0	36	5[1]	0	26	3[1]	0
Loans collateralized by securities	33	0	0	29	1[1]	1[1]	27	0	0
Consumer finance	7	0	0	21	0	0	22	0	0
Consumer	91	4	0	86	6	1	75	3	0
Real estate	12	1	0	9	4[1]	0	11	0	0
Commercial and industrial loans	98	3	1	18	3[1]	0	59	5[1]	0
Financial institutions	4	0	0	0	0	0	2	0	0
Corporate & institutional	114	4	1	27	7	0	72	5	0
Gross impaired loans without specific	**205**	**8**	**1**	**113**	**13**	**1**	**147**	**8**	**0**

allowance									
Gross impaired loans	**1,554**	**19**	**8**	**1,494**	**27**	**9**	**1,633**	**27**	**12**
of which consumer	591	7	3	593	10	5	605	8	4
of which corporate & institutional	963	12	5	901	17	4	1,028	19	8

1
Prior period has been corrected.

Allowance for specifically identified credit losses on impaired loans

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

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Restructured loans held at amortized cost

in	2015			2014			2	
	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification
Restructured loans (CHF million)								
Mortgages	1	13	13	1	4	4	0	0
Loans collateralized by securities	1	0	0	0	0	0	0	0
Consumer finance	0	0	0	0	0	0	1	1
Commercial and industrial loans	13	207	210	10	290	238	5	27
Financial institutions	1	2	2	0	0	0	0	0
Total	**16**	**222**	**225**	**11**	**294**	**242**	**6**	**28**

In 2015, the Group reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 2014 and 2013, the Group did not experience a default of such loans.

In 2015, the loan modifications of the Group included interest rate reductions to rates lower than the current market rate for new loans with similar risk, extended repayment terms, waivers of loan covenants, partial loan waivers, reductions of accrued interest and added penalty interest.

20 Premises and equipment

end of	2015	2014
Premises and equipment (CHF million)		
Buildings and improvements	2,326	2,303
Land	417	420
Leasehold improvements	2,064	2,180
Software	5,908	6,484
Equipment	2,035	2,390
Premises and equipment	**12,750**	**13,777**
Accumulated depreciation	(8,106)	(9,136)
Total premises and equipment, net	**4,644**	**4,641**

Depreciation and impairment

in	2015	2014	2013
CHF million			
Depreciation	1,012	1,232	1,236
Impairment	24	23	65

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21 Goodwill

Goodwill

2015	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse Group
Gross amount of goodwill (CHF million)							
Balance at beginning of period	**570**	**1,557**	**2,306**	**3,263**	**1,030**	**12**	**8,738**
Foreign currency translation impact	(2)	(7)	(4)	(3)	0	0	(16)
Other	(1)	(1)	(8)	(10)	(3)	0	(23)
Balance at end of period	**567**	**1,549**	**2,294**	**3,250**	**1,027**	**12**	**8,699**
Accumulated impairment (CHF million)							
Balance at beginning of period	**0**	**0**	**16**	**58**	**8**	**12**	**94**
Impairment losses	0	0	756	2,661	380	0	3,797
Balance at end of period	**0**	**0**	**772**	**2,719**	**388**	**12**	**3,891**
Net book value (CHF million)							
Net book value	**567**	**1,549**	**1,522**	**531**	**639**	**0**	**4,808**

Goodwill (continued)

2014	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse Group
Gross amount of goodwill (CHF million)							
Balance at beginning of period	**541**	**1,443**	**2,134**	**3,011**	**952**	**12**	**8,093**
Goodwill acquired during the year	0	22	0	0	0	0	22
Foreign currency translation impact	29	126	172	254	80	0	661
Other	0	(34)	0	(2)	(2)	0	(38)
Balance at end of period	**570**	**1,557**	**2,306**	**3,263**	**1,030**	**12**	**8,738**
Accumulated impairment (CHF million)							
Balance at beginning of period	**0**	**0**	**16**	**58**	**8**	**12**	**94**
Balance at end of period	**0**	**0**	**16**	**58**	**8**	**12**	**94**
Net book value (CHF million)							
Net book value	**570**	**1,557**	**2,290**	**3,205**	**1,022**	**0**	**8,644**

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. As of December 31, 2015 and 2014, the Group's market capitalization was below book value.

On October 21, 2015, the Group announced the new strategy and organization, which included the introduction of a new segment structure. Under the prior structure, the reporting units for Private Banking & Wealth Management were Wealth Management Clients, Corporate & Institutional Clients, Asset Management and Private Banking & Wealth Management's non-strategic unit, and Investment Banking was considered to be one reporting unit. With an effective date of November 1, 2015, the reporting units under the new structure were redefined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

The carrying value of each reporting unit for purposes 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.

In estimating the >>>fair value of its reporting units, the Group applied a combination of the market approach and income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that

reflects the risk and uncertainty related to the reporting unit's projected cash flows, which are determined from the Group's financial plan as approved by the Board of Directors.

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

Under US GAAP, goodwill has to be tested for impairment before and immediately after a reorganization of reporting units. As a result, the goodwill impairment test was performed as of November 1, 2015 under the old reporting units and then again under the newly defined reporting units. In addition, the remaining goodwill after considering the impairment as of November 1, 2015 was tested for impairment as of December 31, 2015.

The total goodwill impairment for Credit Suisse Group as of November 1, 2015 was CHF 3,797 million. Prior to the reorganization, the goodwill for the Investment Banking reporting unit was impaired by CHF 2,324 million, which was recognized and allocated across the three new reporting units with investment banking activities, Global Markets, Asia Pacific – Investment Banking and Investment Banking & Capital Markets, based on their relative fair values. Immediately after the reorganization, the Global Markets reporting unit was further impaired by CHF 1,473 million. In total, the goodwill impairment of CHF 3,797 million was recognized as follows: CHF 2,661 million in Global Markets, CHF 756 million in Asia Pacific – Investment Banking and CHF 380 million in Investment Banking & Capital Markets.

Based on its goodwill impairment analysis performed as of December 31, 2015, the Group concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no further impairment was necessary as of December 31, 2015.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets and Investment Banking & Capital Markets reporting units as of November 1, 2015 and December 31, 2015 and in the valuation of the former Investment Banking reporting unit as of November 1, 2015. The valuations were also 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 its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future.

As a result of acquisitions, the Group has recorded goodwill as an asset in its consolidated balance sheets, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. In 2014, the Group completed the acquisition of Morgan Stanley's private wealth management businesses in EMEA, excluding Switzerland, which generated goodwill upon consolidation.

22 Other intangible assets

end of		2015			2014	
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets (CHF million)						
Trade names/trademarks	27	(25)	2	27	(24)	3
Client relationships	113	(70)	43	201	(92)	109
Other	5	(2)	3	11	(3)	8
Total amortizing other intangible assets	**145**	**(97)**	**48**	**239**	**(119)**	**120**
Non-amortizing other intangible assets	148	–	148	129	–	129
of which mortgage servicing rights, at fair value	112	–	112	70	–	70
Total other intangible assets	**293**	**(97)**	**196**	**368**	**(119)**	**249**

Additional information

in	2015	2014	2013

Aggregate amortization and impairment (CHF million)			
Aggregate amortization	18	22	24
Impairment	16	1	8
of which related to restructuring expenses	15	–	–
of which related to discontinued operations	0	0	7

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Estimated amortization

Estimated amortization (CHF million)	
2016	8
2017	8
2018	8
2019	5
2020	3

23 Other assets and other liabilities

end of	2015	2014
Other assets (CHF million)		
Cash collateral on derivative instruments	7,921	10,905
Cash collateral on non-derivative transactions	327	3,238
Derivative instruments used for hedging	186	1,539
Assets held-for-sale	26,061	26,544
of which loans [1]	25,839	25,911
of which real estate [2]	182	535
of which long-lived assets	40	98
Assets held for separate accounts	1,307	5,650
Interest and fees receivable	5,658	6,237
Deferred tax assets	6,179	6,077
Prepaid expenses	448	517
Failed purchases	2,770	3,138
Other	7,160	6,713
Other assets	**58,017**	**70,558**
Other liabilities (CHF million)		
Cash collateral on derivative instruments	13,989	17,043
Cash collateral on non-derivative transactions	518	797
Derivative instruments used for hedging	110	469
Provisions	1,851	1,358
of which off-balance sheet risk	88	103
Restructuring liabilities	199	0
Liabilities held for separate accounts	1,307	5,650
Interest and fees payable	6,011	6,531
Current tax liabilities	608	821
Deferred tax liabilities	54	47
Failed sales	1,551	1,313
Other	16,033	16,941
Other liabilities	**42,231**	**50,970**

1
Included as of December 31, 2015 and 2014 were CHF 1,135 million and CHF 1,103 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 60 million and CHF 226 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP.

2
As of December 31, 2015 and 2014, real estate held-for-sale included foreclosed or repossessed real estate of CHF 31 million and CHF 169 million, respectively, of which CHF 3 million and CHF 2 million, respectively were related to residential real estate.

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24 Deposits

end of			2015			2014
	Switzer-land	Foreign	Total	Switzer-land	Foreign	Total
Deposits (CHF million)						
Non-interest-bearing demand deposits	3,170	3,779	6,949	5,943	4,581	10,524
Interest-bearing demand deposits	126,735	33,627	160,362	135,424	31,984	167,408
Savings deposits	62,908	5	62,913	77,498	29	77,527
Time deposits	32,267	101,268	133,535[1]	17,650	121,958	139,608[1]
Total deposits	**225,080**	**138,679**	**363,759**[2]	**236,515**	**158,552**	**395,067**[2]
of which due to banks	–	–	21,054	–	–	26,009
of which customer deposits	–	–	342,705	–	–	369,058

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.

1

Included CHF 133,223 million and CHF 139,493 million as of December 31, 2015 and 2014, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.

2

Not included as of December 31, 2015 and 2014 were CHF 2 million and CHF 11 million, respectively, of overdrawn deposits reclassified as loans.

25 Long-term debt

end of	2015	2014
Long-term debt (CHF million)		
Senior	157,986	139,267
Subordinated	24,796	25,179
Non-recourse liabilities from consolidated VIEs	14,826	13,452
Long-term debt	**197,608**	**177,898**
of which reported at fair value	80,931	81,166
of which structured notes	54,848	50,469

Structured notes by product

end of	2015	2014
Structured notes (CHF million)		
Equity	35,594	35,309
Fixed income	11,534	8,321
Credit	5,261	5,244
Other	2,459	1,595
Total structured notes	**54,848**	**50,469**

Total long-term debt is comprised of debt issuances managed by Treasury that do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded >>>derivatives, which are issued as part of the Group’s structured product activities. Long-term debt includes both Swiss franc and foreign exchange denominated fixed and variable rate bonds.

The interest rate ranges presented in the table below are based on the contractual terms of the Group's vanilla debt. Interest rate ranges for future coupon payments on structured products for which >>>fair value has been elected are not included in the table below as these coupons are dependent upon the embedded derivative and prevailing market conditions at the time each coupon is paid. In addition, the effects of derivatives used for hedging are not included in the interest rate ranges on the associated debt.

Long-term debt by maturities

end of	2016	2017	2018	2019	2020	Thereafter	Total
Group parent company (CHF million)							
Subordinated debt							
Fixed rate	0	0	290	0	0	4,735	5,025
Interest rates (range in %) [1]	–	–	6.0	–	–	6.3 – 7.5	–
Subtotal – Group parent company	**0**	**0**	**290**	**0**	**0**	**4,735**	**5,025**
Subsidiaries (CHF million)							
Senior debt							
Fixed rate	4,752	12,430	11,194	14,241	9,187	29,475	81,279
Variable rate	17,428	15,496	9,668	7,009	6,163	20,943	76,707
Interest rates (range in %) [1]	0.0 – 15.5	0.0 – 15.2	0.1 – 14.8	0.1 – 14.1	0.1 – 4.4	0.0 – 9.3	–
Subordinated debt							
Fixed rate	0	171	10,199	0	3,423	5,683	19,476
Variable rate	0	50	0	187	58	0	295
Interest rates (range in %) [1]	–	1.1 – 7.0	4.9 – 13.3	0.5	0.9 – 7.0	5.7 – 8.2	–
Non-recourse liabilities from consolidated VIEs							
Fixed rate	85	998	0	0	3	563	1,649
Variable rate	73	61	0	2	884	12,157	13,177
Interest rates (range in %) [1]	0.0 – 5.4	2.8 – 4.0	–	0.0	0.0 – 4.1	0.0 – 10.5	–
Subtotal – Subsidiaries	**22,338**	**29,206**	**31,061**	**21,439**	**19,718**	**68,821**	**192,583**
Total long-term debt	**22,338**	**29,206**	**31,351**	**21,439**	**19,718**	**73,556**	**197,608**
	10,428	7,343	7,987	4,404	5,528	19,158	54,848

of which
structured
notes

The maturity of perpetual debt is based on the earliest callable date. The maturity of all other debt is based on contractual maturity.

1
Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

The Group and the Bank maintain a shelf registration statement with the US Securities and Exchange Commission (SEC), which allows them to issue, from time to time, senior and subordinated debt securities, warrants and guarantees.

> Refer to "Note 41 – Subsidiary guarantee information" for further information on subsidiary guarantees.

The Group maintains a euro medium-term note program that allows it, certain finance subsidiaries (guaranteed by the Group) and the Bank to issue senior debt securities notes.

The Bank maintains a JPY 500 billion Samurai shelf registration statement that allows it to issue, from time to time, senior and subordinated debt securities.

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26 Accumulated other comprehensive income and additional share information

Accumulated other comprehensive income

	Gains/ (losses) on cash flow hedges	Cumulative translation adjustments	Unrealized gains/ (losses) on securities	Actuarial gains/ (losses)	Net prior service credit/ (cost)	Accumu- lated other compre- hensive income/ (loss)
2015 (CHF million)						
Balance at beginning of period	**(31)**	**(11,478)**	**64**	**(4,010)**	**452**	**(15,003)**
Increase/(decrease)	0	(1,142)	(3)	(1,031)	238	(1,938)
Increase/(decrease) due to equity method investments	(15)	(1)	0	0	0	(16)
Reclassification adjustments, included in net income/(loss)	31	6	(1)	369	(83)	322
Total increase/(decrease)	16	(1,137)	(4)	(662)	155	(1,632)
Balance at end of period	**(15)**	**(12,615)**	**60**	**(4,672)**	**607**	**(16,635)**
2014 (CHF million)						
Balance at beginning of period	**(11)**	**(13,674)**	**52**	**(2,757)**	**515**	**(15,875)**
Increase/(decrease)	(11)	2,196	25	(1,440)	20	790
Increase/(decrease) due to equity method investments	4	0	0	0	0	4
Reclassification adjustments, included in net income/(loss)	(13)	0	(13)	187	(83)	78
Total increase/(decrease)	(20)	2,196	12	(1,253)	(63)	872
Balance at end of period	**(31)**	**(11,478)**	**64**	**(4,010)**	**452**	**(15,003)**
2013 (CHF million)						
Balance at beginning of period	**(29)**	**(12,767)**	**84**	**(3,801)**	**610**	**(15,903)**
Increase/(decrease)	6	(991)	(27)	750	0	(262)
Increase/(decrease) due to equity method investments	13	0	0	0	0	13
Reclassification adjustments, included in net income/(loss)	(1)	84	(5)	294	(95)	277
Total increase/(decrease)	18	(907)	(32)	1,044	(95)	28
Balance at end of period	**(11)**	**(13,674)**	**52**	**(2,757)**	**515**	**(15,875)**

Refer to "Note 28 – Tax" and "Note 31 – Pension and other post-retirement benefits" for income tax expense/(benefit) on the movements of accumulated other comprehensive income/(loss).

Details of significant reclassification adjustments

in	2015	2014	2013
Reclassification adjustments, included in net income/(loss) (CHF million)			
Cumulative translation adjustments			
Sale of subsidiaries	**0**	**0**	**84** [1]
Actuarial gains/(losses)			
Amortization of recognized actuarial losses [2]	472	243	390
Tax expense/(benefit)	(103)	(56)	(96)
Net of tax	**369**	**187**	**294**
Net prior service credit/(cost)			

Amortization of recognized prior service credit/(cost) [2]	(110)	(108)	(120)
Tax expense/(benefit)	27	25	25
Net of tax	**(83)**	**(83)**	**(95)**

1
Includes net releases of CHF 84 million on the sale of JO Hambro, which was settled in the third quarter of 2013. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.
2
These components are included in the computation of total benefit costs. Refer to "Note 31 – Pension and other post-retirement benefits" for further information.
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Additional share information

	2015	2014	2013
Common shares issued			
Balance at beginning of period	**1,607,168,947**	**1,596,119,349**	**1,320,829,922**
Issuance of common shares	350,210,297	11,049,598	275,289,427
of which MACCS settlement	0	0	199,964,015
of which share-based compensation	0	11,049,598	37,773,125
Balance at end of period	**1,957,379,244**	**1,607,168,947**	**1,596,119,349**
Treasury shares			
Balance at beginning of period	**(7,666,658)**	**(5,183,154)**	**(27,036,831)**
Sale of treasury shares	766,096,105	357,696,773	401,126,114
of which MACCS settlement	0	0	33,488,655
Repurchase of treasury shares	(808,768,832)	(386,266,557)	(385,369,391)
Share-based compensation	44,429,161	26,086,280	6,096,954
Balance at end of period	**(5,910,224)**	**(7,666,658)**	**(5,183,154)**
Common shares outstanding			
Balance at end of period	**1,951,469,020**[1]	**1,599,502,289**[2]	**1,590,936,195**

1
At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 515,145,579 of these shares were reserved for capital instruments.

2
At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

27 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include >>>derivatives, >>>reverse repurchase and >>>repurchase agreements, and securities lending and borrowing transactions that:

– are offset in the Group's consolidated balance sheets; or
– are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

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

Derivatives

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

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

netting and offset.
Where no such agreements exist, fair values are recorded on a gross basis.
Exchange-traded derivatives or OTC-cleared derivatives, that are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables. The notional amount for these daily settled derivatives is included in the fair value of derivative instruments table in “Note 32 – Derivatives and hedging activities”.
Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt

instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

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

Offsetting of derivatives

end of		2015		2014
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Gross derivatives subject to enforceable master netting agreements (CHF billion)				
OTC-cleared	15.7	14.5	257.7	250.0
OTC	153.0	146.5	213.6	210.4
Exchange-traded	0.0	0.0	0.1	0.0
Interest rate products	**168.7**	**161.0**	**471.4**	**460.4**
OTC	58.1	68.2	86.9	99.0
Exchange-traded	0.3	0.3	0.1	0.2
Foreign exchange products	**58.4**	**68.5**	**87.0**	**99.2**
OTC	12.0	13.3	14.8	15.0
Exchange-traded	8.9	11.2	12.4	14.0
Equity/index-related products	**20.9**	**24.5**	**27.2**	**29.0**
OTC-cleared	3.8	4.0	6.3	6.1
OTC	13.5	12.4	20.0	19.5
Credit derivatives	**17.3**	**16.4**	**26.3**	**25.6**
OTC	2.6	1.5	8.6	8.8
Exchange-traded	0.1	0.1	0.4	0.3
Other products	**2.7**	**1.6**	**9.0**	**9.1**
OTC-cleared	19.5	18.5	264.0	256.1
OTC	239.2	241.9	343.9	352.7
Exchange-traded	9.3	11.6	13.0	14.5
Total gross derivatives subject to enforceable master netting agreements	**268.0**	**272.0**	**620.9**	**623.3**
Offsetting (CHF billion)				
OTC-cleared	(19.0)	(18.5)	(261.7)	(255.8)
OTC	(217.1)	(226.5)	(316.4)	(326.1)
Exchange-traded	(9.0)	(9.9)	(11.9)	(13.1)
Offsetting	**(245.1)**	**(254.9)**	**(590.0)**	**(595.0)**
of which counterparty netting	(223.0)	(223.0)	(561.6)	(561.6)
of which cash collateral netting	(22.1)	(31.9)	(28.4)	(33.4)
Net derivatives presented in the consolidated balance sheets (CHF billion)				
OTC-cleared	0.5	0.0	2.3	0.3
OTC	22.1	15.4	27.5	26.6
Exchange-traded	0.3	1.7	1.1	1.4
Total net derivatives subject to enforceable master netting agreements	**22.9**	**17.1**	**30.9**	**28.3**
Total derivatives not subject to enforceable master netting agreements [1]	**5.7**	**6.5**	**8.6**	**9.1**

Total net derivatives presented in the consolidated balance sheets	**28.6**	**23.6**	**39.5**	**37.4**
of which recorded in trading assets and trading liabilities	28.4	23.5	38.0	36.9
of which recorded in other assets and other liabilities	0.2	0.1	1.5	0.5

1
Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

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Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

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

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

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

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2015 and December 31, 2014. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

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

Offsetting of securities purchased under resale agreements and securities borrowing transactions

end of			2015			2014
	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities purchased under resale agreements and securities borrowing transactions (CHF billion)						
Securities purchased under resale agreements	92.0	(19.6)	72.4	119.3	(28.0)	91.3
Securities borrowing transactions	21.4	(3.9)	17.5	27.8	(6.9)	20.9
Total subject to enforceable master netting agreements	**113.4**	**(23.5)**	**89.9**	**147.1**	**(34.9)**	**112.2**
Total not subject to enforceable master netting agreements [1]	**33.1**	**–**	**33.1**	**51.0**	**–**	**51.0**
Total	**146.5**	**(23.5)**	**123.0** [2]	**198.1**	**(34.9)**	**163.2** [2]

1
Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

2

CHF 83,565 million and CHF 104,283 million of the total net amount as of December 31, 2015 and 2014, respectively, are reported at fair value.

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

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Offsetting of securities sold under repurchase agreements and securities lending transactions

end of			2015			2014
	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities sold under repurchase agreements and securities lending transactions (CHF billion)						
Securities sold under repurchase agreements	43.2	(21.4)	21.8	69.9	(31.9)	38.0
Securities lending transactions	9.8	(2.1)	7.7	10.8	(3.0)	7.8
Obligation to return securities received as collateral, at fair value	19.4	0.0	19.4	18.8	0.0	18.8
Total subject to enforceable master netting agreements	**72.4**	**(23.5)**	**48.9**	**99.5**	**(34.9)**	**64.6**
Total not subject to enforceable master netting agreements [1]	**26.2**	**–**	**26.2**	**32.4**	**–**	**32.4**
Total	**98.6**	**(23.5)**	**75.1**	**131.9**	**(34.9)**	**97.0**
of which securities sold under repurchase agreements and securities lending transactions	70.1	(23.5)	46.6 [2]	105.0	(34.9)	70.1 [2]
of which obligation to return securities received as collateral, at fair value	28.5	0.0	28.5	26.9	0.0	26.9

1
Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
2
CHF 32,398 million and CHF 54,732 million of the total net amount as of December 31, 2015 and 2014, respectively, are reported at fair value.

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

Amounts not offset in the consolidated balance sheets

end of				2015				2014
	Net	Financial instruments [1]	Cash collateral received/ pledged [1]	Net exposure	Net	Financial instruments [1]	Cash collateral received/ pledged [1]	Net exposure
Financial assets subject to enforceable master netting agreements (CHF billion)								
Derivatives	22.9	6.2	0.8	15.9	30.9	6.5	0.1	24.3
Securities purchased under resale agreements	72.4	72.4	0.0	0.0	91.3	91.3	0.0	0.0
Securities borrowing transactions	17.5	17.1	0.0	0.4	20.9	20.3	0.0	0.6
Total financial assets subject to enforceable master	**112.8**	**95.7**	**0.8**	**16.3**	**143.1**	**118.1**	**0.1**	**24.9**

netting agreements

Financial liabilities subject to enforceable master netting agreements (CHF billion)								
Derivatives	17.1	3.4	0.0	13.7	28.3	8.5	0.0	19.8
Securities sold under repurchase agreements	21.8	21.8	0.0	0.0	38.0	38.0	0.0	0.0
Securities lending transactions	7.7	7.4	0.0	0.3	7.8	7.6	0.0	0.2
Obligation to return securities received as collateral, at fair value	19.4	18.5	0.0	0.9	18.8	18.1	0.0	0.7
Total financial liabilities subject to enforceable master netting agreements	**66.0**	**51.1**	**0.0**	**14.9**	**92.9**	**72.2**	**0.0**	**20.7**

1
The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.
Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of >>>CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative of the Group’s counterparty exposure.

28 Tax

Details of current and deferred taxes

in	2015	2014	2013
Current and deferred taxes (CHF million)			
Switzerland	28	99	12
Foreign	463	622	569
Current income tax expense	**491**	**721**	**581**
Switzerland	196	(321)	22
Foreign	(164)	1,005	673
Deferred income tax expense	**32**	**684**	**695**
Income tax expense	**523**	**1,405**	**1,276**
Income tax expense on discontinued operations	0	40	75
Income tax expense/(benefit) reported in shareholders' equity related to:			
Gains/(losses) on cash flow hedges	(4)	4	1
Cumulative translation adjustment	(14)	(117)	44
Unrealized gains/(losses) on securities	(2)	5	(12)
Actuarial gains/(losses)	(174)	(375)	388
Net prior service credit/(cost)	37	(11)	(25)
Share-based compensation and treasury shares	25	71	0

Reconciliation of taxes computed at the Swiss statutory rate

in	2015	2014	2013
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	1,746	401	642
Foreign	(4,168)	3,226	3,454
Income/(loss) from continuing operations before taxes	**(2,422)**	**3,627**	**4,096**
Reconciliation of taxes computed at the Swiss statutory rate (CHF million)			
Income tax expense/(benefit) computed at the statutory tax rate of 22%	(533)	798	901
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	(715)	314	189
Non-deductible amortization of other intangible assets and goodwill impairment	1,432	6	25
Other non-deductible expenses	391	666	492
Additional taxable income	16	4	2
Lower taxed income	(276)	(272)	(381)
(Income)/loss taxable to noncontrolling interests	6	(163)	(252)
Changes in tax law and rates	347	151	184
Changes in deferred tax valuation allowance	(103)	1,064	385
Change in recognition of outside basis difference	262	(450)	0
Tax deductible impairments of Swiss subsidiary investments	(258)	(555)	(268)
Other	(46)	(158)	(1)
Income tax expense	**523**	**1,405**	**1,276**

2015

Foreign tax rate differential of CHF 715 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The foreign tax rate benefit in relation to total foreign tax expense of CHF 299 million was more than offset by tax impacts related to additional reconciling items as explained below.

Non-deductible amortization of other intangible assets and goodwill impairment of CHF 1,432 million reflected the non-deductible nature of the goodwill impairment.

Other non-deductible expenses of CHF 391 million included the impact of CHF 219 million relating to non-deductible interest expenses, CHF 69 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 50 million related to the non-deductible portion of the litigation provisions and settlement charges, and other various smaller non-deductible expenses of CHF 53 million.

Lower taxed income of CHF 276 million included a tax benefit of CHF 59 million related to non-taxable dividend income, CHF 58 million related to non-taxable life insurance income, CHF 50 million related to exempt income, CHF 49 million related to non-taxable foreign exchange gains, CHF 16 million in respect of income taxed at rates lower than the statutory tax rate, and various smaller items.

Changes in tax law and rates of CHF 347 million reflected a tax expense of CHF 189 million related to the change in New York City tax law, CHF 175 million caused by the reduction of deferred tax assets from the enactment of UK corporation tax rate changes and introduction of the bank corporation tax surcharge, and CHF 10 million related to changes in other countries, partially offset by a tax benefit of CHF 16 million from a change in the Brazil tax rate and CHF 11 million related to a change in New York state tax law.

Changes in deferred tax valuation allowances of CHF 103 million included the net impact of the release of valuation allowances of CHF 109 million, mainly in respect of two of the Group's operating entities, one in the UK and one in Hong Kong, relating to current year earnings. Additionally, 2015 included a release of valuation allowances of CHF 88 million for previously recognized deferred tax assets in respect of one of the Group's operating entities in Hong Kong. The change in UK corporation tax rates and introduction of the bank corporation tax surcharge in 2015 caused a release of valuation allowances of CHF 162 million in respect of four of the Group's operating entities in the UK. Also included was a tax expense of CHF 256 million resulting from the increase in valuation allowances on deferred tax assets mainly from three of the Group's operating entities, two in the UK and one in Switzerland.

Change in recognition of outside basis difference of CHF 262 million reflected a tax expense related to the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

Other of CHF 46 million included a tax benefit of CHF 155 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability, partially offset by a tax expense of CHF 48 million relating to the increase of tax contingency accruals and a tax expense of CHF 28 million from prior year adjustments. The remaining balance included various smaller items.

2014

Foreign tax rate differential of CHF 314 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,627 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

Other non-deductible expenses of CHF 666 million included the impact of CHF 390 million relating to the non-deductible portion of the litigation provisions and settlement charges, non-deductible interest expenses of CHF 179 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 59 million, and other various smaller non-deductible expenses of CHF 38 million.

Lower taxed income of CHF 272 million included a tax benefit of CHF 84 million related to non-taxable dividend income, CHF 56 million related to non-taxable life insurance income, CHF 35 million in respect of income taxed at rates lower than the statutory tax rate, CHF 34 million related to exempt offshore income and various smaller items.

Changes in tax law and rates of CHF 151 million reflected a tax expense related to the change in New York state tax law.

Changes in deferred tax valuation allowances of CHF 1,064 million included the net impact of the increase of valuation allowances of CHF 427 million, mainly in respect of six of the Group's operating entities, three in the UK and one in each of Germany, Italy and Switzerland, relating to current year earnings. Additionally, 2014 included an increase in valuation allowance for previously recognized deferred tax assets in respect of two of the Group's operating entities in the UK of CHF 662 million. Also included was a tax benefit of CHF 25 million resulting from the release of valuation allowances on deferred tax assets from one of the Group's operating entities in Spain.

Change in recognition of outside basis difference of CHF 450 million reflected a tax benefit related to the enactment of a Swiss GAAP change impacting the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

Other of CHF 158 million included a tax benefit of CHF 189 million following audit closures and tax settlements, together with a benefit of CHF 7 million relating to the decrease of tax contingency accruals, partially offset by CHF 30 million return to accrual adjustments and a tax expense of CHF 27 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

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2013

Foreign tax rate differential of CHF 189 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,242 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

Other non-deductible expenses of CHF 492 million included non-deductible interest expenses of CHF 247 million, non-taxable offshore expenses of CHF 9 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 93 million, non-deductible provision accruals of CHF 103 million and other various smaller non-deductible expenses.

Lower taxed income of CHF 381 million included a net tax benefit of CHF 49 million resulting from the reversal of a deferred tax liability previously recorded to cover for a taxable timing difference related to a re-investment relief. In addition, 2013 included a Swiss income tax benefit of CHF 41 million as a result of foreign branch earnings beneficially impacting the earnings mix, a tax benefit of CHF 61 million related to non-taxable life insurance income, CHF 56 million related to exempt offshore income, CHF 45 million in respect of non-taxable dividend income, CHF 18 million related to non-taxable foreign exchange gains, CHF 67 million related to tax credits and CHF 19 million related to permanent tax benefits from tax deductible goodwill amortization. The remaining balance included various smaller items.

Changes in tax law and rates of CHF 184 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

Changes in deferred tax valuation allowances of CHF 385 million included the impact of the increase of valuation allowances of CHF 249 million, mainly in respect of four of the Group’s operating entities, three in Europe and one in Asia, relating to current year earnings. Additionally, 2013 included an increase in valuation allowance for previously recognized deferred tax assets in respect of one of the Group’s operating entities in the UK of CHF 278 million. Also included was a tax benefit of CHF 143 million resulting from the release of valuation allowances on deferred tax assets, mainly for two of the Group’s operating entities, one in Japan and one in the UK.

Other of CHF 1 million included a tax benefit of CHF 57 million relating to the current year’s earnings mix and the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to deferred tax assets and a CHF 36 million income tax benefit following a change in the tax status of one of the Group’s US entities, offset by a tax expense of CHF 44 million relating to the increase of tax contingency accruals and a tax expense of CHF 56 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

As of December 31, 2015, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 4.5 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Deferred tax assets and liabilities

end of	2015	2014
Deferred tax assets and liabilities (CHF million)		
Compensation and benefits	2,425	2,373
Loans	326	231
Investment securities	548	882
Provisions	1,718	1,658
Derivatives	117	121
Real estate	340	277
Net operating loss carry-forwards	5,838	6,232
Other	116	99
Gross deferred tax assets before valuation allowance	**11,428**	**11,873**
Less valuation allowance	(3,905)	(4,107)
Gross deferred tax assets net of valuation allowance	**7,523**	**7,766**
Compensation and benefits	(211)	(164)

Loans	(31)	(40)
Investment securities	(282)	(619)
Provisions	(449)	(448)
Business combinations	(1)	(1)
Derivatives	(187)	(168)
Leasing	(18)	(23)
Real estate	(66)	(62)
Other	(153)	(211)
Gross deferred tax liabilities	**(1,398)**	**(1,736)**
Net deferred tax assets	**6,125**	**6,030**
of which deferred tax assets	6,179	6,077
of which net operating losses	1,754	1,814
of which deductible temporary differences	4,425	4,263
of which deferred tax liabilities	(54)	(47)

The increase in net deferred tax assets from 2014 to 2015 of CHF 95 million was primarily due to the impact of total CHF 162 million from the re-measurement of deferred tax balances in Switzerland and Brazil and the release of valuation allowances in Hong Kong, the tax impacts directly recorded in equity, mainly related to the net impact of share-based compensation, pension plan re-measurement and other tax recorded directly in equity of CHF 164 million, and CHF 207 million related to current year earnings. These increases were partially offset by a decrease of deferred tax assets of CHF 217 million as a result of changes to the corporation tax rates in New York, the UK and Japan, prior year adjustments of CHF 127 million, and foreign exchange translation losses of CHF 94 million, which are included within the currency translation adjustments recorded in AOCI.

The most significant net deferred tax assets arise in the US, Switzerland and UK and these decreased from CHF 5,592 million, net of a valuation allowance of CHF 3,184 million as of the end of 2014, to CHF 5,515 million, net of a valuation allowance of CHF 3,196 million as of the end of 2015.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Group recorded a valuation allowance against deferred tax assets in the amount of CHF 3.9 billion as of December 31, 2015 compared to CHF 4.1 billion as of December 31, 2014.

Amounts and expiration dates of net operating loss carry-forwards

end of 2015	Total
Net operating loss carry-forwards (CHF million)	
Due to expire within 1 year	5,304
Due to expire within 2 to 5 years	7,662
Due to expire within 6 to 10 years	7,135
Due to expire within 11 to 20 years	2,981
Amount due to expire	**23,082**
Amount not due to expire	15,694
Total net operating loss carry-forwards	**38,776**

Movements in the valuation allowance

in	2015	2014	2013
Movements in the valuation allowance (CHF million)			
Balance at beginning of period	**4,107**	**2,705**	**2,554**
Net changes	(202)	1,402	151
Balance at end of period	**3,905**	**4,107**	**2,705**

As part of its normal practice, the Group has conducted a detailed evaluation of its expected future results. This evaluation is dependent on management estimates and assumptions in developing the expected future results, which are based on a strategic business planning process influenced by current economic conditions and assumptions of future economic conditions that are subject to change. This evaluation took into account both positive and negative evidence related to expected future taxable income 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, primarily in the US and Switzerland. The Group then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20-year carry-forward period for net operating losses and Swiss tax law allows for a seven-year carry-forward period for net operating losses.

Tax benefits associated with share-based compensation

in	2015	2014	2013
Tax benefits associated with share-based compensation (CHF million)			
Tax benefits recorded in the consolidated statements of operations [1]	448	505	483
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	(28)	(70)	(24)
Tax benefits in respect of tax on dividend equivalent payments	0	1	22

1

Calculated at the statutory tax rate before valuation allowance considerations.

> Refer to “Note 29 – Employee deferred compensation” for further information on share-based compensation.

If, upon settlement of share-based compensation, the tax deduction exceeds the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the utilized tax benefit associated with any excess deduction is considered a “windfall” and recognized in shareholders’ equity as additional paid-in capital and reflected as a financing cash inflow in the consolidated statements of cash flows. If, upon settlement, the tax deduction is lower than the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the tax charge associated with the lower deduction is considered a “shortfall”. Tax charges arising on shortfalls are recognized in shareholders’ equity to the extent that any shortfalls are lower than the cumulative windfalls, otherwise the tax charge is recognized in the consolidated statements of operations. However, windfall deductions and dividend

equivalents aggregating CHF 1.1 billion and CHF 1.1 billion for 2015 and 2014, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 239 million tax benefit will be recorded in additional paid-in capital.

Uncertain tax positions

US GAAP requires a two-step process in evaluating uncertain income tax positions. In the first step, an enterprise determines 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. Income tax positions meeting the more-likely-than-not recognition threshold are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each income tax position is measured at the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement.

Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

	2015	2014	2013
Movements in gross unrecognized tax benefits (CHF million)			
Balance at beginning of period	**389**	**423**	**420**
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	44	2	4
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(3)	(47)	(8)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	15	39	46
Decreases in unrecognized tax benefits relating to settlements with tax authorities	0	(10)	0
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(22)	(24)	(5)
Other (including foreign currency translation)	(54)	6	(34)
Balance at end of period	**369**	**389**	**423**
of which, if recognized, would affect the effective tax rate	369	389	417

Interest and penalties

in	2015	2014	2013
Interest and penalties (CHF million)			
Interest and penalties recognized in the consolidated statements of operations	13	16	7
Interest and penalties recognized in the consolidated balance sheets	86	86	69

Interest and penalties are reported as tax expense. The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 41 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the UK – 2009; the US – 2006; and the Netherlands – 2005.

29 Employee deferred compensation

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

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

The following tables show the compensation expense for deferred compensation awards granted in 2015 and prior years that was recognized in the consolidated statements of operations during 2015, 2014 and 2013, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2015 and prior years outstanding as of December 31, 2015 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The estimated unrecognized compensation expense was based on the >>>fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments. The recognition of compensation expense for the deferred compensation awards granted in January 2016 began in 2016 and thus had no impact on the 2015 consolidated financial statements.

Deferred compensation expense

in	2015	2014	2013
Deferred compensation expense (CHF million)			
Share awards	852	939	814
Performance share awards	563	611	590
Contingent Capital Awards	430	214	–
Capital Opportunity Facility awards	16	13	–
Plus Bond awards [1]	22	36	37
2011 Partner Asset Facility awards [2]	2	7	77
Adjustable Performance Plan share awards [3]	0	0	31
Adjustable Performance Plan cash awards [3]	0	0	4
Restricted Cash Awards	39	92	145
Scaled Incentive Share Units [3]	0	(3)	41
Incentive Share Units [4]	0	0	(3)
2008 Partner Asset Facility awards [5]	34	87	93
Other cash awards	414	404	434
Discontinued operations	0	(8)	(21)
Total deferred compensation expense	**2,372**	**2,392**	**2,242**
Total shares delivered (million)			
Total shares delivered	44.4	37.1	33.7

1

Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year period.

2

Compensation expense mainly includes the change in the underlying fair value of the indexed assets prior to the CCA conversion.

3
Includes forfeitures and downward adjustments according to the plan terms and conditions.
4
Includes forfeitures.
5
Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.

Estimated unrecognized deferred compensation

end of	2015
Estimated unrecognized compensation expense (CHF million)	
Share awards	573
Performance share awards	165
Contingent Capital Awards	230
Other cash awards	176
Total	**1,144**
Aggregate remaining weighted-average requisite service period (years)	
Aggregate remaining weighted-average requisite service period	1.3

Does not include the estimated unrecognized compensation expense relating to grants made in 2016 for 2015.

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Deferred compensation awards for 2015

In January 2016, the Group granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation. Deferred compensation was awarded to employees with total compensation above CHF/USD 250,000 or the local currency equivalent.

Share awards

Share awards granted in January 2016 are similar to those granted in January 2015. Each share award granted entitles the holder of the award to receive one Group share, subject to service conditions. Share awards vest over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. The value of the share awards is solely dependent on the Group share price at the time of delivery.

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

On January 19, 2016, the Group granted 28.8 million share awards with a total value of CHF 549 million. The number of share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a Group share over the twelve business days ended January 18, 2016. The fair value of each share award was CHF 18.62, the Group share price on the grant date. While share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividend equivalents, upon vesting. The estimated unrecognized compensation expense of CHF 521 million was determined based on the fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the three-year vesting period, subject to early retirement rules.

Share awards granted in January for previous years

For compensation year	2015	2014	2013
Share awards granted in January			
Shares awarded (million)	28.8	37.2	30.2
Value of shares awarded (CHF million)	549	642	827
Fair value of each share awarded (CHF)	18.62[1]	16.94[2]	28.13[2]

1

Based on the Group's share price on the grant date.

2

Based on the Group's share price on the grant date discounted for future expected dividends.

In order to comply with Capital Requirements Directive IV requirements, employees who hold key roles in respect of certain Group subsidiaries receive shares that are subject to transfer restrictions for 50% of the amount that would have been paid to them in cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for six months to three years from the date of grant, depending on the location.

On January 19, 2016, the Group granted 0.6 million blocked shares with a total value of CHF 12 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2015.

Blocked share awards granted in January for previous years

For compensation year	2015	2014	2013
Blocked share awards granted in January			
Shares awarded (million)	0.6	1.6	0.6
Value of shares awarded (CHF million)	12	36	18

Share award activities

		2015		2014		2013
	Number of share awards in	Weighted-average grant-date fair value in CHF	Number of share awards in	Weighted-average grant-date fair value in CHF	Number of share awards in	Weighted-average grant-date fair value in CHF

	million		million		million	
Share awards						
Balance at beginning of period	**77.1**	**28.64**	**72.9**	**30.09**	**55.8**	**34.28**
Granted	47.5[1]	16.67	37.6	27.60	40.4	26.43
Settled	(40.3)	29.00	(29.5)	30.43	(20.0)	34.09
Forfeited	(4.0)	24.29	(3.9)	32.20	(3.3)	31.80
Balance at end of period	**80.3**	**21.58**	**77.1**	**28.64**	**72.9**	**30.09**
of which vested	4.7	–	6.2	–	5.8	–
of which unvested	75.6	–	70.9	–	67.1	–

1
Includes an adjustment for share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional shares granted.

Performance share awards

Members of the Executive Board, managing directors and all >>>material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Group's risk profile) received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to explicit performance-related malus provisions. Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Performance share awards granted for 2015 are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2015, or a negative ROE of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

Outstanding performance share awards granted in previous years are subject to a negative adjustment in the event of a negative strategic ROE of the Group, which is calculated based on Core Results, adjusted for the goodwill impairment charge related to the re-organization of the former Investment Banking division.

On January 19, 2016, the Group granted 21.3 million performance share awards with a total value of CHF 429 million. The number of performance share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the twelve business days ended January 18, 2016. The fair value of each performance share award was CHF 18.62, the Group share price on the grant date. While performance share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, performance share awards granted after January 1, 2016 include the right to receive dividend equivalents, upon vesting. The estimated unrecognized compensation expense of CHF 386 million was determined based on the fair value of the award on the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the three-year vesting period.

Performance share awards granted in January for previous years

For compensation year	2015	2014	2013
Performance share awards granted in January			
Shares awarded (million)	21.3	30.7	24.2
Value of shares awarded (CHF million)	429	529	663
Fair value of each performance share awarded (CHF)	18.62[1]	16.94[2]	28.13[2]

1 Based on the Group's share price on the grant date.

2 Based on the Group's share price on the grant date discounted for future expected dividends.

Performance share award activities

	2015		2014		2013	
	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF
Performance share awards						
Balance at beginning of period	**48.2**	**26.89**	**41.4**	**25.51**	**23.3**	**23.90**
Granted	32.5[1]	16.11	24.3	28.13	26.6	26.44
Settled	(23.4)	26.24	(16.0)	25.27	(7.6)	23.90
Forfeited	(1.4)	21.75	(1.5)	26.28	(0.9)	24.92

Balance at end of period	**55.9**	**21.01**	**48.2**	**26.89**	**41.4**	**25.51**
of which vested	3.3	–	3.3	–	2.7	–
of which unvested	52.6	–	44.9	–	38.7	–

1
Includes an adjustment for performance share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted performance shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional performance shares granted.

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Contingent Capital Awards

CCA were granted in January 2016, 2015 and 2014 as part of 2015, 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 4.23%, 4.85% and 4.75% per annum over the six-month Swiss franc >>>London Interbank Offered Rate (LIBOR) or 5.41%, 5.75% and 5.33% per annum over the six-month US dollar LIBOR, for Swiss franc and US-denominated awards for 2016, 2015 and 2014, respectively, until settled. The rate was set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that the Group has issued. For CCA granted in January 2016, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as going-concern loss-absorbing capital of the Group, the timing and form of distribution upon settlement is subject to approval by the >>>Swiss Financial Market Supervisory Authority FINMA (FINMA). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award currency denomination will be converted into the local currency of each respective employee. The Group intends to grant CCA as one of its annual deferred variable compensation awards in future years.

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

– the Group's reported common equity tier 1 (CET1) ratio falls below 7%; or

– FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that the Group requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

On January 19, 2016, the Group awarded CHF 226 million of CCA that will be expensed over the three-year period from the grant date. CCA were awarded as deferred variable compensation to managing directors and directors. The estimated unrecognized compensation expense of CHF 259 million was determined based on the fair value of the award on the grant date and includes the current estimated outcome of the relevant performance criteria, the estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the three-year vesting period.

CCA granted in January for previous years

For compensation year	2015	2014	2013
CCA granted in January			
CCA awarded (CHF million)	226	360	391

Plus Bond awards

Managing directors and directors in the former Investment Banking division received a portion of 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of LIBOR plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by the Group of USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities (ABS) that are held in inventory by various trading desks. While the Plus Bond award is a cash-based instrument, the Group reserves the right to settle the award in Group shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, the Group retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes in capital treatment, exchange the award into Group shares. The Plus Bond award plan contributes to a reduction of the Group's >>>risk-weighted assets and constitutes a risk transfer from the Group to the Plus Bond award holders.

Managing directors and directors outside of the former Investment Banking division were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation offer had a notional value of CHF 38

million, vested on the third anniversary of the grant date on January 17, 2016 and were expensed over the vesting period.

Restricted Cash Awards

Managing directors and directors in the former Investment Banking division received the cash component of their 2012 variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Group even though

the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On January 17, 2013, the Group granted Restricted Cash Awards with a total value of CHF 299 million.

2011 Partner Asset Facility

As part of the 2011 annual compensation process, the Group awarded a portion of deferred variable compensation for senior employees in the form of 2011 Partner Asset Facility (PAF2) units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's >>>derivative activities, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded. As a result, the PAF2 plan is a transfer of risk from the Group to employees.

Employees at the managing director and director levels, including certain members of the Executive Board, received PAF2 awards. The PAF2 awards vested in the first quarter of 2012.

PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof: i) Capital Opportunity Facility (COF): participants elect for their award to be referenced to a COF. The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and ii) CCA: participants elect to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates. Settlement is expected to occur in the first half of 2016, subject to regulatory approvals.

In March 2014, 5,084 employees converted their PAF2 holdings of CHF 684 million into CCA (CHF 516 million) and COF (CHF 168 million).

Adjustable Performance Plan awards

The Adjustable Performance Plan is a deferred compensation plan for the Executive Board, managing directors and directors. The Group introduced and granted Adjustable Performance Plan cash awards as part of deferred compensation for 2009 (2009 Adjustable Performance Plan) and 2010 (2010 Adjustable Performance Plan).

The 2009 Adjustable Performance Plan cash awards were fully vested and expensed as of December 31, 2012 and were delivered in the first half of 2013.

The 2010 Adjustable Performance Plan cash awards vested over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the Group ROE. The adjustments were determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported ROE, unless the division that granted the awards incurred a pre-tax loss. In this case, outstanding awards in that division were subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative ROE applied for that year and was greater than the divisional adjustment. For employees in corporate functions, as well as for all Executive Board members, all outstanding 2010 Adjustable Performance Plan cash awards were linked to the Group's adjusted profit or loss and the Group ROE, but were not dependent upon the adjusted profit or loss of the business areas that they supported.

In July 2012, the Group executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards. Each Adjustable Performance Plan share award contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Adjustable Performance Plan share award activities

	2015 Number of APP share awards in million	2014 Number of APP share awards in million	2013 Number of APP share awards in million
Adjustable Performance Plan share awards			
Balance at beginning of period	**7.3**	**14.5**	**30.8**
Granted [1]	0.3	0.8	1.2
Settled	(7.6)	(7.6)	(17.2)
Forfeited	0.0	(0.4)	(0.3)
Balance at end of period	**0.0**	**7.3**	**14.5**
of which vested	0.0	1.1	1.2
of which unvested	0.0	6.2	13.3

1
Represents additional units earned in the first quarter of 2015, 2014 and 2013 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

Incentive Share Unit

Incentive Share Units (ISU) were the main form of share-based deferred compensation for all employees from 2006 to 2009. For 2009, ISUs were used for the deferred compensation awards granted to employees up to and including vice presidents. An ISU is similar to a share, but offers additional upside depending on the development of the Group share price, compared to predefined targets set on the grant date. For each ISU granted, the employee will receive at least one Group share (ISU base unit) over a three-year vesting period and could receive additional shares (ISU leverage unit) at the end of the three-year vesting period.

In 2013, the ISU leverage units granted for 2009 were settled but did not have a value at settlement as the Group share price performance was below the minimum predefined target of CHF 53.71.

Incentive Share Unit activities

	2015	2014	2013
ISU awards (million)			
Balance at beginning of period	**0.6**	**1.2**	**3.6**
Settled	(0.2)	(0.1)	(1.8)
Forfeited	(0.2)	(0.5)	(0.6)
Balance at end of period	**0.2**	**0.6**	**1.2**
of which vested	0.1	0.1	0.1
of which unvested	0.1	0.5	1.1

2008 Partner Asset Facility

As part of the 2008 annual compensation process, the Group granted employees in the former Investment Banking division with the corporate title of managing director or director the majority of the deferred compensation in the form of 2008 Partner Asset Facility (PAF) awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in the former Investment Banking division.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on December 31, 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

Other cash awards

Other cash awards consist of voluntary deferred compensation plans, systematic market making plans and employee investment plans. The compensation expense related to these awards was primarily driven by mark to market and performance adjustments, as the majority of the awards are fully vested.

Delivered shares

In the first half of 2013, share obligations were covered mainly through the issuances of shares from conditional capital. In the second half of 2013, the Group resumed purchasing shares in the market to cover a portion of its share delivery obligations. In 2014, the majority of the Group's share delivery obligations was covered through market purchases and in 2015, the Group delivered all of its shares through market purchases. The Group intends to continue to cover its future share delivery obligations through market purchases.

30 Related parties

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

Banking relationships

The Group is a global financial services provider. Many of the members of the Executive Board and the Board of Directors or companies associated with them maintain banking relationships with the Group. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Executive Board or the Board of Directors have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Executive Board or the Board of Directors and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Executive Board, members of the Board of Directors or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2015, 2014 and 2013, there were no loan exposures to such related parties that were not made in the ordinary course of business and at prevailing market conditions.

Related party loans

Executive Board and Board of Directors loans

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

All mortgage loans to members of the Executive Board are granted either with variable or fixed interest rates over a certain period. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to members of the Executive Board as for other employees. Unless otherwise noted, all loans to members of the Executive Board were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans did not involve more than the normal risk of collectability or present other unfavorable features. The highest loan outstanding to an Executive Board member was CHF 8 million to Thomas Gottstein as of December 31, 2015.

Members of the Board of Directors with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Members of the Board of Directors who were previously employees of the Group may still have outstanding loans that were provided at the time that employee conditions applied to them. Unless otherwise noted, all loans to members of the Board of Directors are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features.

Executive Board and Board of Directors loans

in	2015	2014	2013
Loans to members of the Executive Board (CHF million)			
Balance at beginning of period	**5**[1]	**10**	**8**
Additions	21	3	4
Reductions	0	(8)	(2)
Balance at end of period	**26**[1]	**5**	**10**

Loans to members of the Board of Directors (CHF million)			
Balance at beginning of period	**16**[2]	**55**	**41**
Additions	1	6	16
Reductions	(9)	(45)	(2)
Balance at end of period	**8**[2]	**16**	**55**

1
The number of individuals with outstanding loans at the beginning and the end of the year was three and seven, respectively.
2
The number of individuals with outstanding loans at the beginning and the end of the year was three.

Equity method investees loans

The Group or its subsidiaries grant loans to equity method investees in the normal course of business.

> Refer to “Note 40 – Significant subsidiaries and equity method investments” in V – Consolidated financial statements – Credit Suisse Group for a list of equity method investments.

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Loans made by the Group or any subsidiaries to equity method investees

in	2015	2014	2013
Loans to equity method investees (CHF million)			
Balance at beginning of period	**13**	**10**	**12**
Net borrowings/(repayments)	122	3	(2)
Balance at end of period	**135**	**13**	**10**

Other related party transactions

Tier 1 capital instruments

Beginning in February 2011, the Group entered into agreements with entities affiliated with Qatar Investment Authority (QIA) and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products. The agreements were amended in 2012 and 2013 and, as a result, QIA and The Olayan Group agreed to purchase new tier 1 high-trigger capital instruments (new Tier 1 Capital Notes) in exchange for their holdings of previously issued notes.

The following new Tier 1 Capital Notes were outstanding as of December 31, 2015:

– USD 1.725 billion 9.5%, held by an affiliate of The Olayan Group;

– USD 1.72 billion 9.5%, held by an affiliate of QIA; and

– CHF 2.5 billion 9.0%, held by an affiliate of QIA.

Under their terms, the new Tier 1 Capital Notes will be converted into Group ordinary shares if the Group's reported CET1 ratio, as determined under >>>Basel Committee on Banking Supervision (BCBS) regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless >>>FINMA, at the Group's request, has agreed on or prior to the publication of the Group's quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that the Group requires public sector capital support, to prevent the Group from becoming insolvent, bankrupt or unable to pay a material amount of the Group's debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, the Group's reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of the Group's ordinary shares over a five-day period preceding the notice of conversion. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by the Group no earlier than 2018 and in certain other circumstances with FINMA approval. Interest, which is payable on the USD 1.725 billion and the USD 1.72 billion new Tier 1 Capital Notes at a fixed rate of 9.5% and on the CHF 2.5 billion new Tier 1 Capital Notes at a fixed rate of 9.0%, will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of the Group's current Board of Directors member Jassim Bin Hamad J.J. Al Thani and the Group's then Board of Directors member Aziz R.D. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board of Directors (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the notes issued and held by QIA and The Olayan Group, were fair. As of April 26, 2013, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a member of the Board of Directors.

Liabilities due to own pension funds

Liabilities due to the Group's own defined benefit pension funds as of December 31, 2015 and 2014 of CHF 1,580 million and CHF 3,131 million, respectively, were reflected in various liability accounts in the Group's consolidated balance sheets. Certain unconsolidated SPEs wholly owned by the Group had liabilities to the pension funds of the Group with notional values of CHF 80 million as of December 31, 2015 and 2014.

31 Pension and other post-retirement benefits

The Group sponsors defined contribution pension plans, defined benefit pension plans and other post-retirement defined benefit plans such as post-retirement health care.

Defined contribution pension plans

Defined contribution plans provide each participant with an individual account. The benefits to be provided to a participant are solely based on the contributions made to that employee's account and are affected by income, expenses and gains and losses allocated to the account. As such, there are no stipulations of a defined annuity benefit at retirement and the participants bear the full actuarial as well as investment risk.

The Group contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2015, 2014 and 2013, the Group contributed to these plans and recognized as expense CHF 157 million, CHF 182 million and CHF 179 million, respectively.

Defined benefit pension and other Post-Retirement benefit plans

Defined benefit pension plans

Defined benefit pension plans are pension plans that define specific benefits for an employee upon that employee's retirement. These benefits are usually determined by taking into account the employee's salary, years of service and age of retirement. Retirees bear neither the actuarial risk (for example, the risk that the retirees of the plan live longer than expected), nor the investment risk (that is, that plan assets invested and associated returns will be insufficient to meet the expected benefits due to low or negative returns on contributions). The Group's funding policy for these plans is in accordance with local laws and tax requirements.

Swiss pension plan

The Group's most significant defined benefit pension plan is located and covers its employees in Switzerland and is set up as a trust domiciled in Zurich. The plan provides benefits in the event of retirement, death and disability and meets or exceeds the minimum benefits required under Swiss law. Historically, this plan provided traditional defined benefit pensions under the annuity section. In 2010, a new savings section was introduced and as of January 1, 2013, all active employees were transferred to the savings section and the annuity section has ceased accruing new benefits. In the savings section, the benefits are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. Although the plan is largely defined contribution in nature, it is treated as a defined benefit plan under US GAAP, mainly due to a guaranteed minimum return on contributions and guaranteed payment of lifetime pensions. As of December 31, 2015 and 2014, the Group's pension plan in Switzerland comprised 75% and 77%, respectively, of all the Group's employees participating in defined benefit plans, 81% and 80%, respectively, of the >>>fair value of plan assets, and 82% and 81%, respectively, of the pension benefit obligation of the Group's defined benefit plans.

Employee contributions in the savings section depend on their age and are determined as a percentage of the pensionable salary. The employees can select between three different levels of contributions which vary between 5% and 14% depending on their age. The Group's contribution varies between 7.5% and 25% of the pensionable salary depending on the employee's age.

International pension plans

Various defined benefit pension plans cover the Group's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment. Retirement benefits under the plans depend on age, contributions and salary. The Group's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

Other post-retirement defined benefit plans

In the US, the Group's defined benefit plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Group promises to provide health and welfare benefits after the employee retires. The Group's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

Benefit costs of defined benefit plans

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders services. The actual amount to be recognized is

determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

Components of total benefit costs

					Defined benefit pension plans			Other post-retirement defined benefit plans	
		Switzerland			International			International	
in	2015	2014	2013	2015	2014	2013	2015	2014	2013
Total benefit costs (CHF million)									
Service costs on benefit obligation	298	253	347	21	19	24	0	0	0
Interest costs on benefit obligation	189	338	304	129	134	122	7	7	8
Expected return on plan assets	(592)	(547)	(575)	(195)	(178)	(161)	0	0	0
Amortization of recognized prior service cost/(credit)	(85)	(88)	(92)	0	0	0	(23)	(9)	0
Amortization of recognized actuarial losses/(gains)	351	137	258	84	52	79	14	9	13
Net periodic benefit costs/(credits)	**161**	**93**	**242**	**39**	**27**	**64**	**(2)**	**7**	**21**
Settlement losses/(gains)	24	44	40	(1)	(2)	0	0	0	0
Curtailment losses/(gains)	(2)	(9)	(28)	0	0	0	0	0	0
Special termination benefits	9	17	19	0	0	0	0	0	0
Total benefit costs/(credits)	**192**	**145**	**273**	**38**	**25**	**64**	**(2)**	**7**	**21**

Total benefit costs reflected in compensation and benefits – other for 2015, 2014 and 2013 were CHF 228 million, CHF 177 million and CHF 358 million, respectively.

Since the second quarter of 2011, as part of its strategic plan, the Group has launched a number of cost efficiency measures including headcount reduction. This resulted in curtailment gains of CHF 2 million, CHF 9 million and CHF 28 million in 2015, 2014 and 2013, respectively, reflecting the immediate recognition of a credit relating to the years of service no longer expected to be rendered. Additional costs of CHF 24 million, CHF 44 million and CHF 40 million in 2015, 2014 and 2013, respectively, related to the settlement of the pension obligation for employees in Switzerland whose employment has effectively been terminated or who have left the Group due to a sale of their business. Special termination benefit costs of CHF 9 million, CHF 17 million and CHF 19 million have been recognized in 2015, 2014 and 2013, respectively, relating to early retirements in Switzerland in the context of the cost efficiency measures.

Benefit obligation

The benefit obligation is expressed as either accumulated benefit obligation (ABO) or PBO. While the ABO refers to the actuarial present value based on employee services rendered prior to that date and takes into account current and past compensation levels, the PBO also applies an assumption as to future compensation levels.

The table “Obligations and funded status of the plans” shows the changes in the PBO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the defined benefit pension and other post-retirement defined benefit plans as well as the ABO for the defined benefit pension plans.

US GAAP requires an employer to recognize the funded status of the defined benefit pension and other post-retirement defined benefit plans on the balance sheet. The funded status of these plans is determined as the difference between the fair value of plan assets and the PBO. The funded status may vary from year to year due to

changes in the fair value of plan assets and variations of the PBO following changes in the underlying assumptions and census data used to determine the PBO. In 2015 and 2014, the curtailments, settlements and special termination benefits in Switzerland, which impacted the PBO, related to the headcount reduction in the context of the cost efficiency measures. In 2015, the Board of Trustees of the Swiss pension plan changed a number of retirement benefits, reflecting the pension plan's ability to finance benefits on an ongoing long-term basis. These changes reflect the prospective higher costs of providing retirement benefits due to lower expected asset returns, lower interest rates and increased life expectancy. These considerations have resulted in incremental reductions of conversion rates, the introduction of the reference age 65 for all insured persons, changes to the bridging pension related to the Swiss Old-Age and Survivors Insurance, enhanced lump-sum withdrawal options on retirement and the reduction of the maximum retirement pension. Furthermore, the Board of Trustees also agreed to improve death and disability benefits and to introduce a cohabiting partner's pension. These changes resulted in a CHF 302 million reduction in the projected benefit obligation for the Swiss pension plan in December 2015. Due to a plan amendment in the US post-retirement medical plan, the PBO of this plan decreased CHF 32 million in 2014. Under the amended plan, the Group will no longer pay for future medical claims for covered retirees older than 65 years and will instead provide a flat subsidy to these retirees to purchase their own medical insurance.

The total net amount recognized in the consolidated balance sheets as of December 31, 2015 and 2014 was a net underfunding of CHF 320 million and a net overfunding of CHF 133 million, respectively.

In 2016, the Group expects to contribute CHF 396 million to the Swiss and international defined benefit pension plans and CHF 11 million to other post-retirement defined benefit plans.

Obligations and funded status of the plans

			Defined benefit pension plans		Other post-retirement defined benefit plans	
	Switzerland		International		International	
in / end of	2015	2014	2015	2014	2015	2014
PBO (CHF million) [1]						
Beginning of the measurement period	**15,661**	**13,473**	**3,539**	**2,843**	**178**	**168**
Plan participant contributions	198	200	0	0	0	0
Service cost	298	253	21	19	0	0
Interest cost	189	338	129	134	7	7
Plan amendments	(302)	0	0	0	0	(32)
Settlements	(77)	(169)	0	(4)	0	0
Curtailments	(9)	(16)	0	0	0	0
Special termination benefits	9	17	2	1	0	0
Actuarial losses/(gains)	818	2,280	(97)	463	4	25
Benefit payments	(697)	(715)	(113)	(109)	(10)	(8)
Exchange rate losses/(gains)	0	0	(115)	192	1	18
End of the measurement period	**16,088**	**15,661**	**3,366**	**3,539**	**180**	**178**
Fair value of plan assets (CHF million)						
Beginning of the measurement period	**15,635**	**14,912**	**3,876**	**3,007**	**0**	**0**
Actual return on plan assets	134	970	62	637	0	0
Employer contributions	409	437	19	135	10	8
Plan participant contributions	198	200	0	0	0	0
Settlements	(77)	(169)	0	(2)	0	0
Benefit payments	(697)	(715)	(113)	(109)	(10)	(8)
Exchange rate gains/(losses)	0	0	(132)	208	0	0
End of the measurement period	**15,602**	**15,635**	**3,712**	**3,876**	**0**	**0**
Funded status recognized (CHF million)						
Funded status of the plan – overfunded/(underfunded)	(486)	(26)	346	337	(180)	(178)
Funded status recognized in the consolidated balance sheet as of December 31	**(486)**	**(26)**	**346**	**337**	**(180)**	**(178)**
Total amount recognized (CHF million)						
Noncurrent assets	0	0	825	822	0	0
Current liabilities	0	0	(9)	(8)	(11)	(10)
Noncurrent liabilities	(486)	(26)	(470)	(477)	(169)	(168)
Total amount recognized in the consolidated balance sheet as of December 31	**(486)**	**(26)**	**346**	**337**	**(180)**	**(178)**
ABO (CHF million) [2]						
End of the measurement period	**15,160**	**15,110**	**3,315**	**3,469**	**180**	**178**

1
Including estimated future salary increases.

2
Excluding estimated future salary increases.
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PBO or ABO in excess of plan assets

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2015 and 2014, respectively.

Defined benefit pension plans in which PBO or ABO exceeded plan assets

	PBO exceeds fair value of plan assets[1]				ABO exceeds fair value of plan assets[1]			
	Switzerland		International		Switzerland		International	
December 31	2015	2014	2015	2014	2015	2014	2015	2014
CHF million								
PBO	16,088	15,661	1,630	1,671	0	0	1,613	1,655
ABO	15,160	15,110	1,600	1,637	0	0	1,589	1,627
Fair value of plan assets	15,602	15,635	1,152	1,187	0	0	1,137	1,173

1
Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

Amount recognized in AOCI and other comprehensive income

The following table shows the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic benefit costs.

Amounts recognized in AOCI, net of tax

	Defined benefit pension plans		Other post-retirement defined benefit plans		Total	
end of	2015	2014	2015	2014	2015	2014
Amounts recognized in AOCI (CHF million)						
Actuarial gains/(losses)	(4,629)	(3,960)	(43)	(50)	(4,672)	(4,010)
Prior service credit/(cost)	604	435	3	17	607	452
Total	**(4,025)**	**(3,525)**	**(40)**	**(33)**	**(4,065)**	**(3,558)**

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2015 and 2014, and the amortization of the aforementioned items as components of net periodic benefit costs for these periods, as well as the amounts expected to be amortized in 2016.

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Amounts recognized in other comprehensive income

	Defined benefit pension plans			Other post-retirement defined benefit plans			
in	Gross	Tax	Net	Gross	Tax	Net	Total net
2015 (CHF million)							
Actuarial gains/(losses)	(1,312)	276	(1,036)	(4)	2	(2)	(1,038)
Prior service credit/(cost)	302	(64)	238	0	0	0	238
Amortization of actuarial losses/(gains)	435	(93)	342	14	(5)	9	351
Amortization of prior service cost/(credit)	(85)	18	(67)	(23)	9	(14)	(81)
Immediate recognition due to curtailment/settlement	30	(6)	24	0	0	0	24
Total	**(630)**	**131**	**(499)**	**(13)**	**6**	**(7)**	**(506)**
2014 (CHF million)							
Actuarial gains/(losses)	(1,861)	424	(1,437)	(25)	9	(16)	(1,453)
Prior service credit/(cost)	0	0	0	32	(12)	20	20
Amortization of actuarial losses/(gains)	189	(43)	146	9	(3)	6	152
Amortization of prior service cost/(credit)	(88)	18	(70)	(9)	3	(6)	(76)
Immediate recognition due to curtailment/settlement	51	(10)	41	0	0	0	41
Total	**(1,709)**	**389**	**(1,320)**	**7**	**(3)**	**4**	**(1,316)**

Amounts in AOCI, net of tax, expected to be amortized in 2016

in 2016	Defined benefit pension plans	Other post-retirement defined benefit plans
CHF million		
Amortization of actuarial losses/(gains)	322	6
Amortization of prior service cost/(credit)	(91)	0
Total	**231**	**6**

Assumptions

The measurement of both the net periodic benefit costs and the benefit obligation is determined using explicit assumptions, each of which individually represents the best estimate of a particular future event. Where applicable, they are in line with the expected market averages and benchmarks, the expected trend in the market and historical rates, particularly plan experience.

Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

	Defined benefit pension plans						Other post-retirement defined benefit plans		
	Switzerland			International			International		
December 31	2015	2014	2013	2015	2014	2013	2015	2014	2013
Net periodic benefit cost (%)									
Discount rate	1.25	2.60	2.20	3.82	4.71	4.47	4.20	5.10	4.30
Salary increases	1.00	1.20	1.20	4.19	4.31	4.02	–	–	–
Expected long-term rate of return on plan	4.00	3.75	4.00	6.00	6.16	6.18	–	–	–

assets									
Benefit obligation (%)									
Discount rate	0.90	1.25	2.60	4.05	3.82	4.71	4.50	4.20	5.10
Salary increases	1.00	1.00	1.20	3.56	4.19	4.31	–	–	–

Net periodic benefit cost and benefit obligation assumptions

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 discount rate is one of the factors used to determine the present value as of the measurement date of the future cash outflows currently expected to be required to satisfy the benefit obligations when due.

The assumption pertaining to salary increases is used to calculate the PBO, which is measured using an assumption as to future compensation levels.

The expected long-term rate of return on plan assets, which is used to calculate the expected return on plan assets as a component of the net periodic benefit costs, reflects the average rate of returns expected on the funds invested or to be invested to provide for the benefits included in the PBO. In estimating that rate, appropriate consideration is given to the returns being earned by the plan assets and the rates of return expected to be available for reinvestment.

The expected long-term rate of return on plan assets is based on total return forecasts, expected volatility and correlation estimates, reflecting interrelationships between and within asset classes held. Where possible, similar, if not related, approaches are followed to forecast returns for the various asset classes.

The expected long-term rate of return on debt securities reflects both accruing interest and price returns. The probable long-term relationship between the total return and certain exogenous variables is used, which links the total return forecasts on debt securities to forecasts of the macroeconomic environment.

The expected long-term rate of return on equity securities is based on a two-stage dividend discount model which considers economic and market forecasts to compute a market-implied equity risk premium. Dividends are estimated using market consensus earnings and the historical payout ratio. A subsequent scenario analysis is used to stress test the level of the return.

The expected long-term rate of return on real estate is based on economic models that reflect both the rental and the capital market side of the direct real estate market. This allows for a replicable and robust forecasting methodology for expected returns on real estate equity, fund and direct market indices.

The expected long-term rate of return on private equity and hedge funds is estimated by determining the key factors in their historical performance using private equity and hedge fund benchmarks and indices. To capture these factors, multiple linear regression models with lagged returns are used.

Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate is assumed in the cost of covered health care benefits.

The following table provides an overview of the assumed health care cost trend rates and the sensitivity of a one percentage point increase or decrease of the rate.

Health care cost trend rates and sensitivity

in / end of	2015	2014	2013
Health care cost trend rate (%)			
Annual weighted-average health care cost trend rate [1]	8.00	8.00	8.00
Increase/(decrease) in post-retirement expenses (CHF million)			
One percentage point increase in health care cost trend rates	0.2	0.2	1.3
One percentage point decrease in health care cost trend rates	(0.2)	(0.3)	(1.0)
Increase/(decrease) in post-retirement benefit obligation (CHF million)			
One percentage point increase in health care cost trend rates	4	5	23
One percentage point decrease in health care cost trend rates	(4)	(4)	(19)

1
The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2022.

The annual health care cost trend rate used to determine the defined benefit cost for 2016 is 8.30%.

Plan assets and investment strategy

Plan assets, which are assets that have been segregated and restricted to provide for plan benefits, are measured at their fair value as of the measurement date.

The Group's defined benefit pension plans employ a total return investment approach, whereby a diversified mix of debt and equity securities and alternative investments, specifically hedge funds and private equity, are used to maximize the long-term return of plan assets while incurring a prudent level of risk. The intent of this strategy is to meet or outperform plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity securities are diversified across different geographic regions as well as across growth, value and small and large capitalization stocks. Real estate and alternative investments, such as private equity and hedge funds, are used to enhance long-term returns while improving portfolio diversification. >>>Derivatives may be used to hedge or increase market exposure, but are not used to leverage the portfolio beyond the market

value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Group pension plans follow defined strategic asset allocation guidelines. At times of major market uncertainties and stress, these guidelines may be further restricted.

As of December 31, 2015 and 2014, the total fair value of Group debt securities included in plan assets of the Group's defined benefit pension plans was CHF 83 million and CHF 134 million, respectively, and the total fair value of Group equity securities and options was CHF 131 million and CHF 131 million, respectively.

Fair value hierarchy of plan assets

> Refer to "Fair value measurement" in Note 35 – Financial instruments for discussion of the fair value hierarchy.

Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2015 and 2014, for the Group's defined benefit pension plans.

Plan assets measured at fair value on a recurring basis

end of				2015				2014
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets at fair value (CHF million)								
Cash and cash equivalents	982	171	0	1,153	2,983	0	0	2,983
Debt securities	725	3,399	2	4,126	421	2,939	0	3,360
of which governments	3	11	0	14	338	0	0	338
of which corporates	722	3,388	2	4,112	83	2,939	0	3,022
Equity securities	1,351	4,246	0	5,597	2,545	2,222	0	4,767
Real estate	0	647	1,156	1,803	0	534	1,146	1,680
of which direct	0	0	1,156	1,156	0	0	1,146	1,146
of which indirect	0	647	0	647	0	534	0	534
Alternative investments	255	0	2,668	2,923	508	87	2,250	2,845
of which private equity	0	0	739	739	0	0	692	692
of which hedge funds	0	0	1,135	1,135	0	0	953	953
of which other	255	0	794	1,049	508	87	605	1,200
Switzerland	**3,313**	**8,463**	**3,826**	**15,602**	**6,457**	**5,782**	**3,396**	**15,635**
Cash and cash equivalents	32	210	0	242	191	88	0	279
Debt securities	890	744	292	1,926	189	1,590	267	2,046
of which governments	368	7	0	375	8	562	0	570
of which corporates	522	737	292	1,551	181	1,028	267	1,476
Equity securities	339	520	77	936	216	666	0	882
Real estate – indirect	0	87	48	135	0	0	117	117
Alternative investments	(15)	308	79	372	0	386	58	444
of which hedge funds	0	78	79	157	0	111	58	169
of which other	(15)[1]	230	0	215	0	275	0	275
Other investments	0	101	0	101	0	108	0	108
International	**1,246**	**1,970**	**496**	**3,712**	**596**	**2,838**	**442**	**3,876**
	4,559	**10,433**	**4,322**	**19,314**	**7,053**	**8,620**	**3,838**	**19,511**

Total plan assets at fair value

1
Primarily related to derivative instruments.

Plan assets measured at fair value on a recurring basis for level 3

				Actual return on plan assets				
	Balance at beginning of period	Transfers in	Transfers out	On assets still held at reporting date	On assets sold during the period	Purchases, sales, settlements	Foreign currency translation impact	Balance at end of period
2015 (CHF million)								
Debt securities – corporates	267	2	(12)	2	0	35	0	294
Equity securities	0	77	0	0	0	0	0	77
Real estate	1,263	0	(87)	39	0	(12)	1	1,204
of which direct	1,146	0	0	26	0	(16)	0	1,156
of which indirect	117	0	(87)	13	0	4	1	48
Alternative investments	2,308	6	0	101	(35)	367	0	2,747
of which private equity	692	0	0	11	(26)	62	0	739
of which hedge funds	1,011	6	0	37	9	151	0	1,214
of which other	605	0	0	53	(18)	154	0	794
Total plan assets at fair value	**3,838**	**85**	**(99)**	**142**	**(35)**	**390**	**1**	**4,322**
of which Switzerland	3,396	2	0	126	(34)	336	0	3,826
of which International	442	83	(99)	16	(1)	54	1	496
2014 (CHF million)								
Debt securities – corporates	177	2	0	(13)	17	65	19	267
Real estate	1,219	0	(2)	32	0	3	11	1,263
of which direct	1,123	0	0	23	0	0	0	1,146
of which indirect	96	0	(2)	9	0	3	11	117
Alternative investments	744	1,378	(5)	79	(1)	112	1	2,308
of which private equity	607	0	(1)	40	0	46	0	692
of which hedge funds	3	953	0	(10)	(1)	65	1	1,011
of which other	134	425	(4)	49	0	1	0	605
Total plan assets at fair value	**2,140**	**1,380**	**(7)**	**98**	**16**	**180**	**31**	**3,838**
of which Switzerland	1,862	1,378	(2)	111	0	47	0	3,396
of which International	278	2	(5)	(13)	16	133	31	442

Qualitative disclosures of valuation techniques used to measure fair value

Cash and cash equivalents

Cash and cash equivalents includes money market instruments such as bankers' acceptances, certificates of deposit, >>>CP, book claims, treasury bills, other rights and commingled funds. Valuations of money market instruments and commingled funds are generally based on observable inputs.

Debt securities

Debt securities include government and corporate bonds which are generally quoted in active markets. Debt securities for which market prices are not available, are valued based on yields reflecting the perceived risk of the issuer and the maturity of the security, recent disposals in the market or other modeling techniques, which may involve judgment.

Equity securities

Equity securities held include common equity shares, convertible bonds and shares in investment companies and units in mutual funds. The common equity shares are generally traded on public stock exchanges for which quoted prices are regularly available. Convertible bonds are generally valued using observable pricing sources. Shares in investment companies and units in mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

Derivatives

Derivatives include both >>>OTC and exchange-traded derivatives. The fair value of OTC derivatives is determined on the basis of inputs that include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity since the required inputs are generally observable in the marketplace. Other more complex derivatives may use unobservable inputs. Such inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. The fair value of exchange-traded derivatives is typically derived from the observable exchange prices and/or observable inputs.

Real estate

Real estate includes direct real estate as well as investments in real estate investment companies, trusts or mutual funds. Direct real estate is initially measured at its transaction price, which is the best estimate of fair value. Thereafter, direct real estate is individually measured at fair value based on a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. Real estate investment companies, trusts and mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

Alternative investments

Private equity includes direct investments, investments in partnerships that make private equity and related investments in various portfolio companies and funds and fund of funds partnerships. Private equity consists of both publicly traded securities and private securities. Publicly traded investments that are restricted or that are not quoted in active markets are valued based on publicly available quotes with appropriate adjustments for liquidity or trading restrictions. Private equity is valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings multiple analyses using comparable companies or discounted cash flow analyses. Private equity for which a fair value is not readily determinable is measured at fair value using NAV provided by the general partner.

Hedge funds that are not directly quoted on a public stock exchange, and/or for which a fair value is not readily determinable, are measured at fair value using NAV provided by the fund administrator.

Plan asset allocation

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

Weighted-average plan asset allocation

	Switzerland		International	
December 31	2015	2014	2015	2014
Weighted-average plan asset allocation (%)				
Cash and cash equivalents	7.4	19.1	6.5	7.2
Debt securities	26.4	21.5	51.9	52.7
Equity securities	35.9	30.5	25.2	22.8
Real estate	11.6	10.7	3.6	3.0
Alternative investments	18.7	18.2	10.0	11.5
Insurance	0.0	0.0	2.8	2.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

The following table shows the target plan asset allocation for 2016 in accordance with the Group's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2016.

Weighted-average target plan asset allocation for 2016

	Switzerland	International
2016 (%)		
Cash and cash equivalents	10.0	0.3
Debt securities	32.0	56.6
Equity securities	30.0	23.0

Real estate	10.0	4.2
Alternative investments	18.0	13.1
Insurance	0.0	2.8
Total	**100.0**	**100.0**

Estimated future benefit payments for defined benefit plans

The following table shows the estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans.

Estimated future benefit payments for defined benefit plans

	Defined benefit pension plans	Other post-retirement defined benefit plans
Estimated future benefit payments (CHF million)		
2016	1,122	11
2017	943	12
2018	932	12
2019	927	13
2020	938	13
For five years thereafter	4,870	62

32 Derivatives and hedging activities

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

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

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

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

Trading activities

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

Economic hedges

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

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

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

Hedge accounting

Fair value hedges

The Group designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, >>>repurchase agreements and long-term debt instruments, the Group uses:

– cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
– foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

Cash flow hedges

The Group designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Group also uses cross-currency swaps to convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Group elects to be exposed. This includes, but is not limited to, Swiss francs and US dollars. Further, the Group uses derivatives to hedge its cash flows associated with forecasted transactions. As of the end of 2015, the maximum length of time over which

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

Net investment hedges

The Group designates net investment hedges as part of its strategy to hedge selected net investments in foreign operations against adverse movements in foreign exchange rates, typically using forward foreign exchange contracts.

Hedge effectiveness assessment

The Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis, and requires the Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the Group to determine whether or not the hedging relationship has actually been effective. If the Group concludes, through a retrospective evaluation, that hedge accounting

is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognized in earnings.

Fair value of derivative instruments

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

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

> Refer to "Note 35 – Financial instruments" for further information.

Fair value of derivative instruments

			Trading			Hedging[1]
end of 2015	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	7,229.5	1.0	1.2	0.0	0.0	0.0