CREDIT SUISSE GROUP AG
Form 20-F
March 20, 2015
As filed with the Securities and Exchange Commission on March 20, 2015
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, 2014.
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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(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
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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
Exchange Traded Notes due February 19, 2020 Linked to the Credit Suisse Long/Short Liquid Index (Net)	NYSE Arca
Credit Suisse Equal Weight MLP Index Exchange Traded Notes due April 20, 2020 Linked to the Cushing® 30 MLP Index	NYSE Arca
Exchange Traded Notes due October 6, 2020 Linked to the Credit Suisse Merger Arbitrage Liquid Index (Net)	NYSE Arca
Exchange Traded Notes due March 13, 2031 Linked on a Leveraged Basis to the Credit Suisse Merger Arbitrage Liquid Index (Net)	NYSE Arca
Market Neutral Equity ETN Linked to the HS Market Neutral Index Powered by HOLT™ due September 22, 2031	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
VelocitySharesTM 3x Long Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocitySharesTM 3x Long Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocitySharesTM 3x Inverse Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocitySharesTM 3x Inverse Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocitySharesTM 3x Long Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032	NYSE Arca
VelocitySharesTM 3x Long Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
VelocitySharesTM 3x Inverse Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032	NYSE Arca
VelocitySharesTM 3x Inverse Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca

Credit Suisse Gold Shares Covered Call Exchange Traded Notes (ETNs) due February 2, 2033	
Linked to the Credit Suisse NASDAQ Gold FLOWS™ 103 Index	The Nasdaq Stock Market
Credit Suisse Silver Shares Covered Call Exchange Traded Notes (ETNs) due April 21, 2033	
Linked to the Credit Suisse NASDAQ Silver FLOWS™ 106 Index	The Nasdaq Stock Market
Credit Suisse Commodity Benchmark Exchange Traded Notes (ETNs) due June 15, 2033	
Linked to the Credit Suisse Commodity Benchmark Total Return Index	NYSE Arca
Credit Suisse Commodity Rotation Exchange Traded Notes (ETNs) due June 15, 2033	
Linked to the Credit Suisse Commodity Backwardation Total Return Index	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	
Linked to the Russell 1000® Growth Index Total Return	NYSE Arca
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

* 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, 2014: 1,599,502,289 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

Definitions
Sources
Cautionary statement regarding forward-looking information
Part I
Item 1. Identity of directors, senior management and advisers.
Item 2. Offer statistics and expected timetable.
Item 3. Key information.
Item 4. Information on the company.
Item 4A. Unresolved staff comments.
Item 5. Operating and financial review and prospects.
Item 6. Directors, senior management and employees.
Item 7. Major shareholders and related party transactions.
Item 8. Financial information.
Item 9. The offer and listing.
Item 10. Additional information.
Item 11. Quantitative and qualitative disclosures about market risk.
Item 12. Description of securities other than equity securities.
Part II
Item 13. Defaults, dividend arrearages and delinquencies.
Item 14. Material modifications to the rights of security holders and use of proceeds.
Item 15. Controls and procedures.
Item 16A. Audit committee financial expert.
Item 16B. Code of ethics.
Item 16C. Principal accountant fees and services.
Item 16D. Exemptions from the listing standards for audit committee.
Item 16E. Purchases of equity securities by the issuer and affiliated purchasers.
Item 16F. Change in registrants' certifying accountant.
Item 16G. Corporate governance.
Item 16H. Mine Safety Disclosure.
Part III
Item 17. Financial statements.
Item 18. Financial statements.
Item 19. Exhibits.
SIGNATURES

Definitions

For the purposes of this Form 20-F and the attached Annual Report 2014, 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 2014.

Sources

Throughout this Form 20-F and the attached Annual Report 2014, 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 2014.

Part I
Item 1. Identity of directors, senior management and advisers.
Not required because this Form 20-F is filed as an annual report.
Item 2. Offer statistics and expected timetable.
Not required because this Form 20-F is filed as an annual report.
Item 3. Key information.
A – Selected financial data.
For Credit Suisse and the Bank, please see Appendix – Selected five-year information – Group on page A-2 and – Bank on page A-3 of the attached Annual Report 2014. In addition, please see IX – Additional information – Other information – Foreign currency translation rates on page 520 of the attached Annual Report 2014.
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 39 to 46 of the attached Annual Report 2014.
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 – Organizational and regional structure on pages 24 to 25, and IV – Corporate Governance and Compensation – Corporate Governance – Overview – Company on page 168 of the attached Annual Report 2014. 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 page 250 of the attached Annual Report 2014 and, for the Bank, please see Note 3 – Business developments and subsequent events in VII – Consolidated financial statements – Credit Suisse (Bank) on page 401 of the attached Annual Report 2014.
B – Business overview.
For Credit Suisse and the Bank, please see I – Information on the company – Our businesses on pages 16 to 23 of the attached Annual Report 2014. In addition, for Credit Suisse, please see Note 5 – Segment information in V – Consolidated financial statements – Credit Suisse Group on pages 253 to 255 of the attached Annual Report 2014 and, for the Bank, please see Note 5 – Segment information in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 403 to 404 of the attached Annual Report 2014.
C – Organizational structure.
For Credit Suisse and the Bank, please see I – Information on the company – Organizational and regional structure on pages 24 to 25 and II – Operating and financial review – Credit Suisse – Differences between Group and Bank on pages 52 to 54 of the attached Annual Report 2014. For a list of Credit Suisse’s significant subsidiaries, please see Note 39 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 360 to 362 of the attached Annual Report 2014 and, for a list of the Bank’s significant subsidiaries, please see Note 37 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 472 to 474 of the attached Annual Report 2014.

D – Property, plant and equipment.

For Credit Suisse and the Bank, please see IX – Additional information – Other information – Property and equipment on page 519 of the attached Annual Report 2014.

Information Required by Industry Guide 3.

For Credit Suisse and the Bank, please see IX – Additional information – Statistical information on pages 496 to 514 of the attached Annual Report 2014. 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 pages 152 to 156 of the attached Annual Report 2014.

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

As stated in the Credit Suisse Annual Report 2013, 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). Default on these credit facilities is subject to export financing insurance provided by European governmental 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 0.2 million in interest income in 2014 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 2014, Credit Suisse AG received insurance payments totaling CHF 2.8 million from the Swiss governmental export credit agency and payments totaling CHF 7.0 million from financial institutions acting as agents of lending syndicates, both in partial payment under certain of these credit facilities. As of December 31, 2014, approximately CHF 2.1 million was owed to Credit Suisse AG under these credit facilities which is not covered by the European governmental export credit agency guarantees, out of a total amount of approximately CHF 46.0 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 governmental export credit agencies.

During 2014, 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 48 to 98 of the attached Annual Report 2014. In addition, for both Credit Suisse and the Bank, please see I – Information on the company – Regulation and supervision on pages 26 to 38 of the attached Annual Report 2014 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 125 of the attached Annual Report 2014.

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 100 to 125 of the attached Annual Report 2014. In addition, for Credit Suisse, please see Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group on pages 274 to 275 and Note 36 – Capital adequacy in V – Consolidated financial statements – Credit Suisse Group on page 350 of the attached Annual Report 2014 and, for the Bank, please see Note 23 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank) on page 420 and Note 35 – Capital adequacy in VII – Consolidated financial statements – Credit Suisse (Bank) on page 471 of the attached Annual Report 2014.

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 – Our businesses on pages 16 to 23 of the attached Annual Report 2014.

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 161 to 164 of the attached Annual Report 2014. In addition, for Credit Suisse, please see Note 31 – Derivatives and hedging activities, Note 32 – Guarantees and commitments and Note 33 – Transfers of financial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group on pages 303 to 322 of the attached Annual Report 2014 and, for the Bank, please see Note 30 – Derivatives and hedging activities, Note 31 – Guarantees and commitments and Note 32 – Transfers of financial assets and variable interest entities in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 439 to 451 of the attached Annual Report 2014.

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 164 of the attached Annual Report 2014.

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 173 to 193 of the attached Annual Report 2014.

B – Compensation.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 196 to 228 of the attached Annual Report 2014. In addition, for Credit Suisse, please see Note 11 – Compensation and benefits in V – Consolidated financial statements – Credit Suisse Group on page 257, Note 28 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 286 to 292 and Note 30 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group on pages 294 to 302, and Note 5 – Shareholdings of members of the Executive Board and the Board of Directors in VI – Parent company financial statements – Credit Suisse Group on pages 384 to 385 of the attached Annual Report 2014 and, for the Bank, please see Note 11 – Compensation and benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on page 406, Note 27 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 428 to 430 and Note 29 – Pension and other post-retirement benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 432 to 438 of the attached Annual Report 2014.

C – Board practices.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance on pages 166 to 195 of the attached Annual Report 2014.

D – Employees.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview – Employees on page 168. In addition, for both Credit Suisse and the Bank, please see II – Operating and financial review – Core Results on pages 59 to 66 of the attached Annual Report 2014.

E – Share ownership.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 196 to 228 of the attached Annual Report 2014. In addition, for Credit Suisse, please see Note 28 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 286 to 292, and Note 5 – Shareholdings of members of the Executive Board and the Board of Directors in VI – Parent company financial statements – Credit Suisse Group on pages 384 to 385 of the attached Annual Report 2014. For the Bank, please see Note 27 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 428 to 430 of the attached Annual Report 2014.

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 169 to 173 of the attached Annual Report 2014. 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 250 to 251, Note 6 – Own shares held by the company and by group companies and Note 7 – Significant shareholders in VI – Parent company financial statements – Credit Suisse Group on page 385 of the attached Annual Report 2014. 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 11 – Major shareholders and groups of shareholders in VIII – Parent company financial statements – Credit Suisse (Bank) on page 490 of the attached Annual Report 2014.

B – Related party transactions.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 196 to 228 and – Corporate Governance – Banking relationships and related party transactions on pages 179 to 180 of the attached Annual Report 2014. In addition, for Credit Suisse, please see Note 29 – Related parties in V – Consolidated financial statements – Credit Suisse Group on pages 292 to 294 of the attached Annual Report 2014 and, for the Bank, please see Note 28 – Related parties in VII – Consolidated financial statements – Credit Suisse (Bank) on page 431 of the attached Annual Report 2014.

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 38 – Litigation in V – Consolidated financial statements – Credit Suisse Group on pages 352 to 359 of the attached Annual Report 2014. For a description of the Bank's legal and arbitration proceedings, please see Note 36 – Litigation in VII – Consolidated financial statements – Credit Suisse (Bank) on page 471 of the attached Annual Report 2014.

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 125 of the attached Annual Report 2014.

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 518 of the attached Annual Report 2014. 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 166 to 177 and – Additional information – Changes in control and defense measures on page 194 and – Liquidation on page 195 of the attached Annual Report 2014. In addition, for Credit Suisse, please see IX – Additional information – Other information – Exchange controls and – American Depositary Shares on page 515 of the attached Annual Report 2014. 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 515 of the attached Annual Report 2014.

E – Taxation.

For Credit Suisse, please see IX – Additional information – Other information – Taxation on pages 515 to 518 of the attached Annual Report 2014. 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 377 to 388 of the attached Annual Report 2014 and incorporated by reference herein. The Bank's parent company financial statements, together with the notes thereto, are set forth on pages 477 to 494 of the attached Annual Report 2014 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 III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management on pages 126 to 160 of the attached Annual Report 2014.

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 – American Depositary Share fees on page 195 of the attached Annual Report 2014. 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 375 to 376 of the attached Annual Report 2014. 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 475 to 476 of the attached Annual Report 2014.

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 page 178 of the attached Annual Report 2014.

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 page 167 of the attached Annual Report 2014.

Item 16C. Principal accountant fees and services.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional Information – Internal and external auditors on pages 194 to 195 of the attached Annual Report 2014.

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 pages 124 to 125 of the attached Annual Report 2014. 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 – Overview – Complying with rules and regulations on pages 166 to 167 of the attached Annual Report 2014. 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 229 to 376 of the attached Annual Report 2014 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 389 to 476 of the attached Annual Report 2014 and incorporated by reference herein.

Item 19. Exhibits.

1.1 Articles of association (Statuten) of Credit Suisse Group AG as of December 2, 2014.

1.2 Articles of association (Statuten) of Credit Suisse AG as of September 4, 2014.

1.3 Organizational Guidelines and Regulations of Credit Suisse Group AG and Credit Suisse AG as of June 19, 2014.

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 514 of the attached Annual Report 2014 and incorporated by reference herein.

8.1 Significant subsidiaries of Credit Suisse are set forth in Note 39 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 360 to 362, and significant subsidiaries of the Bank are set forth in Note 37 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 472 to 474 in the attached Annual Report 2014 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).

20-F/14

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 20, 2015

/s/ Brady W. Dougan	/s/ David R. Mathers
Name: Brady W. Dougan	Name: David R. Mathers
Title: Chief Executive Officer	Title: Chief Financial Officer

CREDIT SUISSE AG
(Registrant)
Date: March 20, 2015

/s/ Brady W. Dougan	/s/ David R. Mathers
Name: Brady W. Dougan	Name: David R. Mathers
Title: Chief Executive Officer	Title: Chief Financial Officer

20-F/15

Key metrics

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Credit Suisse (CHF million, except where indicated)					
Net income attributable to shareholders	1,875	2,326	1,349	(19)	72
of which from continuing operations	1,773	2,181	1,389	(19)	57
Basic earnings per share from continuing operations (CHF)	1.02	1.14	0.82	(11)	39
Diluted earnings per share from continuing operations (CHF)	1.01	1.14	0.82	(11)	39
Return on equity attributable to shareholders (%)	4.4	5.7	3.9	–	–
Effective tax rate (%)	38.7	31.2	21.2	–	–
Core Results (CHF million, except where indicated)					
Net revenues	25,815	25,217	23,251	2	8
Provision for credit losses	186	167	170	11	(2)
Total operating expenses	22,397	21,546	21,193	4	2
Income from continuing operations before taxes	3,232	3,504	1,888	(8)	86
Cost/income ratio (%)	86.8	85.4	91.1	–	–
Pre-tax income margin (%)	12.5	13.9	8.1	–	–
Strategic results (CHF million, except where indicated)					
Net revenues	25,126	25,475	25,385	(1)	0
Income from continuing operations before taxes	6,790	7,173	6,295	(5)	14
Cost/income ratio (%)	72.4	71.5	74.7	–	–
Return on equity – strategic results (%)	12.2	13.4	–	–	–
Non-strategic results (CHF million)					
Net revenues	689	(258)	(2,134)	–	(88)
Loss from continuing operations before taxes	(3,558)	(3,669)	(4,407)	(3)	(17)
Assets under management and net new assets (CHF billion)					
Assets under management from continuing operations	1,377.3	1,253.4	1,197.8	9.9	4.6
Net new assets from continuing operations	30.2	36.1	11.4	(16.3)	216.7
Balance sheet statistics (CHF million)					
Total assets	921,462	872,806	924,280	6	(6)
Net loans	272,551	247,054	242,223	10	2
Total shareholders' equity	43,959	42,164	35,498	4	19
Tangible shareholders' equity	35,066	33,955	26,866	3	26
Basel III regulatory capital and leverage statistics					
Risk-weighted assets (CHF million)	291,410	273,846	292,481	6	(6)
CET1 ratio (%)	14.9	15.7	14.2	–	–

Look-through CET1 ratio (%)	10.1	10.0	8.0	–	–
Swiss leverage ratio (%)	4.9	5.1	–	–	–
Look-through Swiss leverage ratio (%)	3.9	3.7	–	–	–
Share information					
Shares outstanding (million)	1,599.5	1,590.9	1,293.8	1	23
of which common shares issued	1,607.2	1,596.1	1,320.8	1	21
of which treasury shares	(7.7)	(5.2)	(27.0)	48	(81)
Book value per share (CHF)	27.48	26.50	27.44	4	(3)
Tangible book value per share (CHF)	21.92	21.34	20.77	3	3
Market capitalization (CHF million)	40,308	43,526	29,402	(7)	48
Dividend per share	0.70	0.70	0.75	–	–
Number of employees (full-time equivalents)					
Number of employees	45,800	46,000	47,400	0	(3)

See relevant tables for additional information on these metrics.

Credit Suisse Annual Reporting Suite

Annual Report
The Annual Report is a detailed presentation of the Group's annual financial statements, company structure, ‒corporate governance and compensation ‒practices, treasury and risk management framework and a review of our operating and financial results.

Corporate Responsibility Report
The Corporate Responsibility Report ‒provides a detailed presentation on how the Group assumes its ‒various responsibilities as a bank towards society and the environment. This publication is complemented by the Responsibility Chronicle, which adds a multimedia dimension to our reporting.

Company Profile
The Company Profile contains a ‒summary of the strategic ‒direction of Credit Suisse, an overview of its ‒organization and a brief description of its key businesses.

Annual Report 2014
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.

Annual Report 2014
Message from the Chairman and the Chief Executive Officer
Information on the company
Credit Suisse at a glance
Strategy
Our businesses
Organizational and regional structure
Regulation and supervision
Risk factors
Operating and financial review
Operating environment
Credit Suisse
Core Results
Private Banking & Wealth Management
Investment Banking
Corporate Center
Assets under management
Critical accounting estimates
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
Corporate Governance and Compensation
Corporate Governance
Compensation
Report of the Independent Registered Public Accounting Firm
Consolidated financial statements – Credit Suisse Group
Report of the Independent Registered Public Accounting Firm
Consolidated financial statements
Notes to the consolidated financial statements
Controls and procedures
Report of the Independent Registered Public Accounting Firm
Parent company financial statements – Credit Suisse Group
Report of the Statutory Auditor
Parent company financial statements
Notes to the financial statements
Proposed appropriation of retained earnings and capital distribution
Report on the conditional increase of share capital
Consolidated financial statements – Credit Suisse (Bank)
Report of the Independent Registered Public Accounting Firm
Consolidated financial statements
Notes to the consolidated financial statements
Controls and procedures
Report of the Independent Registered Public Accounting Firm
Parent company financial statements – Credit Suisse (Bank)

Report of the Statutory Auditor
Financial review
Parent company financial statements
Notes to the financial statements
Proposed appropriation of retained earnings and distribution from general reserves
Additional information
Statistical information
Other information
Appendix
Selected five-year information
List of abbreviations
Glossary
Investor information
Financial calendar and contacts

Urs Rohner (left), Chairman of the Board of Directors and Brady W. Dougan, Chief Executive Officer.

Message from the Chairman and the Chief Executive Officer

Dear shareholders, clients and colleagues

2014 was a challenging year for Credit Suisse but also a period of continued progress. We faced a more uncertain and volatile economic, political and market environment, along with continued regulatory reform. We have made significant progress in recent years to anticipate these developments and proactively transform Credit Suisse in response to this evolving operating environment. Notwithstanding the pace and magnitude of change, our businesses delivered a robust performance and we saw continued momentum with clients. It is clear that we must continue to adapt to best serve our clients and to further improve profitability and shareholder returns.

In the past year, we were able to resolve certain significant legacy issues. Looking back, the settlement with the US authorities regarding all outstanding cross-border matters in May marked an important turning point. It was critical for us as an organization to resolve this longstanding legacy litigation issue. We would like to reiterate that we deeply regret the past misconduct that led to this settlement.

In spite of this challenging backdrop, our clients' continued trust and support as well as our employees' dedication and professionalism helped us mitigate the impact of the settlement on our business and our results. We have since refocused our resources on serving our clients, driving our strategy forward and implementing the targeted growth initiatives that we have defined.

Economic and political trends that shaped the market

A leading US economic newspaper described 2014 as a "year of market surprises", stating that most economic forecasts for the year were inaccurate. Although economists expected interest rates to increase in 2014, they remained at historically low levels throughout the year. This impacted revenue streams in the wealth management industry and further increased the pressure on gross margins, making it even more important for banks to improve the cost efficiency of their business models.

Markets were also impacted by the uncertainty resulting from various political crises around the world. The Ukraine crisis weighed heavily on European economies in particular, while conflicts in parts of the Middle East added to the climate of uncertainty. Additionally, the ongoing Greek debt negotiations fuelled fresh concerns about the possible destabilization of Europe's monetary union. Meanwhile, the real estate downturn in China prompted fears of an economic slowdown. However, the Chinese economy performed relatively well compared to Brazil and Russia, which indicators suggest are heading toward recession. In contrast, the US had solid growth in 2014, coupled with the appreciation of the US dollar against all major currencies. Another development that most experts did not anticipate was the sharp decline in energy prices and other commodities in the fourth quarter. While this generally had a stimulating effect on the global economy, it negatively impacted the economies of commodity exporting nations and investments in those countries, as well as companies in the energy sector. It also resulted in higher market volatility toward the end of the year.

Throughout 2014 and the beginning of 2015, there were several central bank actions, many of which had significant implications for the banking sector. In October 2014, the US Federal Reserve ended its asset purchase program as a result of improving market conditions, while in January 2015, the European Central Bank announced its intention to increase market liquidity by launching purchases of private sector fixed income instruments and raising the size of long-term loans to the banking system. However, for Switzerland and Credit Suisse, the most significant central bank action was the Swiss National Bank's decision on January 15, 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro and introduce negative short-term interest rates. These actions dramatically altered the market environment for a number of Swiss companies, which typically incur the majority of their expenses in Swiss francs, while generating a large proportion of their revenues in other currencies.

In order to moderate the negative impact on Credit Suisse, we have announced a number of mitigating actions, including a combination of incremental cost reductions and previously announced revenue growth initiatives. We expect to more than offset the impact of the changed conditions by the end of 2017, while continuing to drive growth in Private Banking & Wealth Management.

The macroeconomic environment is likely to remain challenging throughout the rest of 2015. While the global economic recovery is expected to continue, aided by US momentum and a gradual recovery of the eurozone private sector, geopolitical risks are expected to persist. Above all, the unresolved conflict in the Ukraine, fragmentation risks

in Europe and tensions within the Middle East will likely cause further political uncertainty. Similarly, actions by central banks are expected to remain a key theme throughout 2015.

Developments that impacted the banking industry

A number of important **regulatory developments** in 2014 helped provide greater clarity about the future regulatory framework. Nevertheless, we expect banking regulation to continue to evolve significantly going forward. We must therefore ensure that we continue to anticipate changes and have the necessary flexibility to align our organization accordingly. Although this is a challenging process, it also creates opportunities for innovation and forces us to continuously assess our value proposition.

While the risk-weighted view on capital dominated regulatory discussions over the last few years, there was a shift in focus in 2014 toward the unweighted view of capital in the form of more restrictive leverage requirements. We support leverage as an additional measure in bank regulation and announced, together with our fourth quarter results, that we intend to further reduce our leverage exposure and we revised our Group target. However, we believe that the risk-weighted view should continue to be the primary capital measure. We believe that if both sets of requirements are overly restrictive, it will curtail global economic growth, limit business opportunities and lead to an assimilation of business models that would, in turn, undermine systemic stability.

In November 2014, the Financial Stability Board proposed a new standard for **total loss-absorbing capacity (TLAC)**, under which global systemically important banks (G-SIBs) would be required to hold TLAC-eligible instruments up to an equivalent of 20% of risk-weighted assets. The purpose of this new standard is to ensure that G-SIBs have sufficient loss-absorbing and recapitalization capacity available to implement an orderly resolution with continuity of critical functions and minimal impact on financial stability. In Switzerland, the group of experts for the further development of the financial market strategy, commonly known as the Brunetti Commission, presented its final report in December 2014, which also included similar recommendations to enhance the "Too Big to Fail" regime with mandatory TLAC requirements. We strongly support this approach, together with the need for international consistency, to prevent competitive disadvantages arising from stricter requirements in certain jurisdictions. Switzerland has already implemented what we believe is a very effective regulatory framework, under which high-trigger and low-trigger contingent convertible instruments are recognized as eligible capital. We have made significant progress toward meeting these requirements and were one of the first banks to issue such contingent convertible instruments in the market.

Based on the Brunetti Commission's final report, the Swiss Federal Council adopted its evaluation report on Switzerland's "Too Big to Fail" regime in mid-February 2015. We are pleased that the evaluation report acknowledges the effectiveness of the present "Too Big to Fail" regime and does not view a fundamental realignment as necessary. Subject to market conditions, we plan to issue senior unsecured debt in 2015, which should qualify for future capital treatment under the TLAC rules. With this, we are further developing the possibility to absorb losses at the Group holding company in order to facilitate a Single Point of Entry bail-in resolution strategy, as set out in FINMA's bank resolution guidelines.

In 2014, we also made further progress in implementing the program to evolve our **legal entity structure**. We expect that these changes will result in a substantially less complex and more efficient operating infrastructure for the Group. In Switzerland, we continue the process of establishing a subsidiary for our Swiss-booked business, which we anticipate will become operational in 2016, pending regulatory approval. During 2015, we plan to apply for a Swiss banking license and to incorporate and register the new legal entity. We expect that the new legal entity structure in Switzerland will not significantly impact either our current business offerings or our client servicing model.

Looking at the wealth management industry, one of the most important developments in 2014 was the endorsement by the G20 states of a global standard for automatic exchange of information as developed by the Organization for Economic Cooperation and Development. Switzerland, along with many other jurisdictions, is committed to this standard. A consistent implementation of the standard across all major financial centers will be critical to ensure a level playing field. At Credit Suisse, we support the Swiss government's commitment to this tax transparency standard and its active participation in the development of **international tax assistance**. In Switzerland, efforts to build a tax-compliant and internationally accepted financial center included the implementation of the US Foreign Account Tax Compliance Act (FATCA) in July 2014. This law aims to achieve the broadest possible exchange of information and transparency regarding the offshore accounts of US taxpayers by essentially requiring all non-US financial institutions worldwide to regularly and automatically notify the US authorities about the identity and assets of their US clients. We believe that the FATCA agreement between Switzerland and the US will lead to an important facilitation of the tax-related processes and is of vital importance for the Swiss financial industry.

Another important subject for the banking industry in 2014 was a continued focus on **litigation issues**. Regulators and authorities imposed tougher penalties on banks, as evidenced by record-breaking fines in 2014. A Credit Suisse research report published in June indicated that litigation risk has become a primary factor influencing bank share price performance, illustrating that the financial industry as a whole is expected to continue to be impacted by litigation matters. For us, the resolution in 2014 of the US cross-border matter brought to a close our most significant outstanding litigation. Our settlement in March 2014 with the Federal Housing Finance Agency also constituted the resolution of our largest investor lawsuit in the mortgage space. As to the previously disclosed matters relating to LIBOR and the foreign exchange markets, to date we have not seen evidence to suggest

that we are likely to have any material exposure in connection with these issues. We are, nevertheless, still in the process of resolving certain other litigation issues, predominantly mortgage-related matters dating back to before the financial crisis. In view of developments in the industry-wide litigation and investigations in the US relating to mortgages, Credit Suisse announced in February 2015 that it had increased its mortgage-related litigation provisions. While it is not feasible to entirely rule out misconduct, we have a very strict compliance and control culture and a zero tolerance approach to unethical behavior. Recognizing the critical role of employees in helping to preserve **financial integrity**, we demand the highest standards of personal accountability and ethical conduct from each member of our global workforce. In 2014, we introduced a set of Business Conduct Behaviors to guide our employees in their daily activities and to help reduce the potential for operational or conduct losses resulting from breaches of ethical standards or the failure to identify, escalate and resolve problems at an early stage. In addition, all employees are fully committed to Credit Suisse's Code of Conduct and take part in targeted mandatory training courses that include developments in the finance industry such as anti-corruption and risk management measures.

Strategy and growth opportunities

The ongoing changes in the financial services industry, as well as the evolving economic and regulatory environment, are forcing banks to constantly adapt their business models and to examine and analyze business investment and expansion opportunities going forward. In addition, recent analyst and media reports have questioned the sustainability of the universal banking model, which combines wealth management and investment banking services. Credit Suisse has had an integrated bank model in place since 2006, and our "One Bank" approach represents an integral part of our business model and strategy. We are convinced that the collaboration between our two divisions, Private Banking & Wealth Management and Investment Banking, is a key differentiator for us. It enables us to offer clients decades of experience in wealth management, combined with global capital markets access and expertise. In 2014, the landmark initial public offering of Alibaba, in which we served as a lead underwriter, as well as the acquisition of the Forbes Media Group by an ultra-high-net-worth investor, serve as recent and prominent examples of the success of our integrated approach and collaboration to the benefit of our clients. In 2014, we generated CHF 4.3 billion of collaboration revenues from the integrated bank.

During the year, we made further progress toward our goal of achieving a more balanced allocation of capital between Private Banking & Wealth Management and Investment Banking. We continued to drive our growth initiatives in Private Banking & Wealth Management in order to grow top-line revenue and mitigate margin pressure. Our lending program for ultra-high-net-worth individuals, for example, has grown across all regions, reaching a loan volume of CHF 39 billion as of the end of 2014, up 39% compared to the end of 2013. We have recently launched our advisory offering, Credit Suisse Invest, which is being rolled out into selected markets from the first half of 2015. The focus of the new offering is on flexibility and transparency. Clients select the investment solution best suited to their needs and receive a clearly defined range of services. In addition, they benefit from a very attractive pricing model, with substantially lower transaction and custody fees. Additionally, in light of the evolving digital landscape, we are making progress toward creating a state-of-the-art digital private banking platform for our clients, allowing them to gain more efficient access to our global capabilities and enabling them to network with other clients. We continue to leverage our strong position in the Swiss market and capitalize on our presence and expertise in the emerging markets, including the Middle East and Asia Pacific. In Investment Banking, we continued to implement our client-focused, capital-efficient strategy, with an emphasis on our market-leading franchises, such as equities, securitized products and global credit products. We expect that our clear commitment to the integrated and well-balanced banking model, combined with the continued wind-down of our non-strategic operations and the execution of our cost savings programs, will allow us to deliver a good performance to the benefit of our stakeholders.

Announcement regarding CEO change

Given the progress made and good momentum across our businesses, we decided that now is the appropriate time for CEO succession. On March 10, 2015, we announced that the Board of Directors has appointed Tidjane Thiam as the new CEO of Credit Suisse Group, effective at the end of June 2015. Tidjane Thiam, who currently serves as Group Chief Executive of Prudential plc, is one of the most distinguished personalities in the financial services industry with profound experience in asset management and wealth management. In the meantime, we and our leadership team are focused on a flawless transition.

Our performance in 2014

Our full-year 2014 results highlight the stability of our franchise. Despite the impact of the final settlement of all outstanding US cross-border matters in May 2014, we reported Core pre-tax income of CHF 3,232 million and a return on equity of 4% for the full year. Net income attributable to shareholders was CHF 1,875 million for 2014. As of the year end, our look-through CET1 ratio stood at 10.1%, exceeding our 10% year-end target. The successful execution of the capital actions that we announced in May 2014 helped us to offset the impact of the US cross-border settlement on our capital position.

Since the end of 2013, we have separately disclosed our strategic and non-strategic results, in addition to our reported results. Our strategic results encompass the businesses that we plan to

7

focus on going forward, while our non-strategic results include operations that we intend to wind down or exit. We think it is helpful for our investors to know how our businesses perform when excluding the drag from the non-strategic results. Looking at our strategic results for the full year 2014, Core pre-tax income was CHF 6,790 million and net income attributable to shareholders was CHF 4,962 million. The return on equity for our strategic businesses for 2014 was 12%, compared to our through-the-cycle Group target of 15%.

In Private Banking & Wealth Management, we reported –strategic pre-tax income of CHF 3,726 million, up 3% compared to 2013, due to a lower cost base as we continue to focus on delivering significant efficiency improvements. The cost/income ratio for our strategic results improved to 68% for 2014, compared to 70% in 2013. In terms of capital, risk weighted assets and leverage exposure in Private Banking & Wealth Management strategic results increased by CHF 13 billion and CHF 43 billion, respectively. The increases were driven by foreign exchange and methodology impacts as well as loan growth, which is consistent with our strategy to increase overall capital allocation to this division. For the full year 2014, we generated net new assets of CHF 27.5 billion in Wealth Management Clients, with a growth rate of 3.5%. We saw a significant contribution of net new assets from the ultra-high-net-worth individuals segment of CHF 20.9 billion, with a growth rate of 6%. In terms of regions, there was continued robust momentum in Asia Pacific, with net new asset growth of 15% for the full year, while Western European cross-border outflows were CHF 11.4 billion.

In Investment Banking, pre-tax income for our strategic businesses was CHF 3,744 million, including the impact of funding valuation adjustments (FVA), which we introduced in the fourth quarter, in line with the industry. Strategic net revenues were stable compared to 2013, highlighting the consistency of our diversified franchise and driving a return on regulatory capital of 17%. Operating expenses for the strategic businesses were stable, as an increase in deferred and variable compensation expenses offset our continued progress in infrastructure initiatives and other operating expenses.

During the year, we also continued to make progress in the wind-down of our non-strategic units in both divisions, reducing risk-weighted assets by 35% and leverage exposure by CHF 25 billion compared to the end of 2013.

Consistent with 2013, the Board of Directors will propose a cash distribution of CHF 0.70 per share for the financial year 2014 out of reserves from capital contributions to the Annual General Meeting. The Board of Directors will also propose an optional scrip alternative to our shareholders that would allow them to elect to receive the distribution in the form of new shares, subject to any legal restrictions applicable in their home jurisdiction. We remain committed to returning half of our earnings to shareholders, provided our look-through CET1 capital ratio continues to exceed 10% and we meet our leverage ratio targets.

During 2014, we made considerable progress in developing our businesses and in innovating new products and services for our clients, as well as better aligning our resources and reducing our operating expenses. Furthermore, thanks to the dedication and professionalism of our employees, we were able to mitigate the impact of the US cross-border settlement on our business, as well as resolve other litigation issues. We would like to express our – sincere gratitude to our clients, our shareholders and our –employees for all of their support during the year.

Best regards,

Urs Rohner	Brady W. Dougan
Chairman of the Board of Directors	Chief Executive Officer

March 2015

As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss “Too Big to Fail” legislation and regulations thereunder. The related disclosures are in accordance with Credit Suisse’s current 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.

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is –calculated as Swiss total eligible capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, –off-balance sheet exposures, which – consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

BIS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BIS requirements as implemented by FINMA that are –effective for the first quarter of 2015, and the application of those

requirements on our fourth quarter of 2014 results. Changes in these requirements or any of our interpretations, assumptions or estimates would result in different numbers from those shown here. BIS leverage exposure target assumes foreign exchange rates of USD/CHF and EUR/CHF as of January 30, 2015.
Return on equity for strategic results is calculated by dividing annualized strategic net income by average strategic shareholders' equity (derived by deducting 10% of non-–strategic risk-weighted assets from reported shareholders' equity). Return on regulatory capital is calculated using income after tax and capital allocated based on the average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
Strategic net new assets are determined based on the assumption that assets managed across businesses relate to strategic businesses only.
Refer to "Results overview" in II – Operating and financial review – Core Results further information on Core Results.
8

Thank you, Brady W. Dougan

As communicated in early March, Brady W. Dougan will step down from his role as CEO of Credit Suisse at the end of June 2015. After an exceptional career of 25 years with Credit Suisse, including eight years as its CEO, Brady W. Dougan, in close consultation with the Board of ‑Directors, has decided to step down. Brady significantly and successfully shaped Credit Suisse. Despite a complex environment and considerable headwinds in the global financial services industry, he has kept our bank on track and mastered even the most difficult of challenges. The Board of Directors, the Executive Board and our employees are extremely grateful to Brady for his tremendous commitment and unparalleled contribution over the years!

Welcome, Tidjane Thiam

After an extensive and thorough evaluation process, which included internal and external candidates, the Board of Directors has appointed Tidjane Thiam as the new CEO of Credit Suisse. Tidjane has an impressive track record in the global financial services industry, with leading roles at Aviva and as Group Chief Executive of ‑Prudential plc. His in-depth knowledge, vast experience and remarkable personality make Tidjane an ideal choice to achieve sustained future success for Credit Suisse. We welcome Tidjane to Credit Suisse and look forward to working with him!

Urs Rohner

Chairman of the Board of Directors

March 2015

9

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Information on the company
Credit Suisse at a glance
Strategy
Our businesses
Organizational and regional structure
Regulation and supervision
Risk factors

Credit Suisse at a glance

Credit Suisse

As one of the world's leading financial services providers, we are committed to delivering our combined financial experience and expertise to corporate, institutional and government clients, ultra-high-net-worth and high-net-worth individuals worldwide, as well as affluent and retail clients in Switzerland. Founded in 1856, today we have a global reach with operations in over 50 countries and 45,800 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 our two divisions, which cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

Private Banking & Wealth Management

Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Our Wealth Management Clients business serves ultra-high-net-worth and high-net-worth individuals around the globe, as well as affluent and retail clients in Switzerland. Our Corporate & Institutional Clients business serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across diverse asset classes and investment styles, serving governments, institutions, corporations and individuals worldwide.

Investment Banking

Investment Banking provides a broad range of financial products and services, including global securities sales, trading and execution, prime brokerage and capital raising services, corporate advisory and comprehensive investment research, with a focus on businesses that are client-driven, flow-based and capital-efficient. Clients include corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world. Credit Suisse delivers its investment banking capabilities via regional and local teams based in major global financial centers. Strongly anchored in Credit Suisse's integrated model, Investment Banking works closely with Private Banking & Wealth Management to provide clients with customized financial solutions.

Strategy

An integrated global bank

We offer our clients in Switzerland and around the world a broad range of traditional and customized banking services and products. We believe that our ability to serve clients globally with solutions tailored to their needs gives us a strong advantage in today's rapidly changing and highly competitive marketplace.

We operate as an integrated bank, combining our strengths and expertise in our two global divisions, Private Banking & Wealth Management and Investment Banking. Our divisions are supported by our Shared Services functions, which provide corporate services and business solutions while ensuring a strong compliance culture. Our global structure comprises four regions: Switzerland; Europe, Middle East and Africa (EMEA); Americas; and Asia Pacific. With our local presence and global approach, we are well positioned to respond to changing client needs and our operating environment.

Progress on our strategy

In 2014, we continued to make significant progress in executing our client-focused, capital-efficient strategy in the context of an evolving regulatory environment. We are progressing towards achieving specific goals to reduce our cost base and strengthen our capital position, and we have operated under the >>>Basel III capital framework since January 2013. We have continued to optimize our business footprint by shifting resources to focus on growth in high-returning businesses while moving towards a more balanced capital allocation between our Investment Banking and Private Banking & Wealth Management divisions. As a result of this progress, we believe that today Credit Suisse is better positioned to perform in a challenging market environment and compete in our chosen businesses and markets around the world.

Private Banking & Wealth Management

Our Private Banking & Wealth Management division is comprised of our Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. In our Wealth Management Clients business, we continued to make progress towards our goal of becoming the leading private bank for >>>ultra-high-net-worth individual (UHNWI) and >>>high-net-worth individual (HNWI) clients globally while efficiently growing our affluent and retail business in our Swiss home market. We further optimized our market footprint by making focused investments in fast-growing emerging markets, capturing growth in select profitable onshore markets and exiting smaller markets. In our Corporate & Institutional Clients business, we maintained and selectively improved our leading position in Switzerland within our aspiration to position ourselves as the "Bank for Entrepreneurs" for our corporate and institutional clients. Internationally, we reinforced our growth strategy by strengthening our presence in the Asia Pacific region, while reducing non-core and capital-intensive business activities, in line with the Group's objective to further improve capital ratios while investing in profitable growth and increasing efficiency. In our Asset Management business, we made significant progress in our strategy and refocused the business around a boutique model.

Investment Banking

In the Investment Banking division, we remain committed to offering our key clients a spectrum of equities, fixed income and investment banking advisory products and services. We have made further progress on our key priorities, including: allocating resources to our market-leading and capital-efficient businesses where we expect to generate strong returns on regulatory capital; increasing profitability and reducing capital usage in our repositioned macro business; optimizing delivery and product set across Investment Banking to drive growth in Private Banking & Wealth Management; offsetting higher regulatory costs with continued cost efficiencies; and winding down our non-strategic unit's Basel III >>>risk-weighted assets and leverage exposure to reduce the negative impact on both pre-tax income and return on regulatory capital.

Non-strategic units

In the fourth quarter of 2013, we created non-strategic units within our Private Banking & Wealth Management and Investment Banking divisions and separated non-strategic items in the Corporate Center to further accelerate our reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on our strategic businesses and growth initiatives. The non-strategic units are retained within the divisions to benefit from senior management's expertise and focus. The non-strategic units have separate management within each division and a clear governance structure through the establishment of a Non-Strategic Oversight Board.

In connection with these actions, we expect to reduce non-strategic Basel III risk-weighted assets from CHF 16 billion as of the end of 2014 to CHF 10 billion by the end of 2015, on a foreign exchange neutral basis. We also expect to reduce non-strategic Swiss leverage exposure from CHF 75 billion as of the end of 2014 to CHF 26 billion by the end of 2015, on a foreign exchange neutral basis.

> Refer to "Format of presentation and changes in reporting" in II – Operating and financial review – Credit Suisse – Information and developments for further information on non-strategic units in Private Banking & Wealth Management and Investment Banking.

Capital and leverage ratio

In 2014, we continued to strengthen our capital position in light of the evolving regulatory environment. We issued Basel III-compliant tier 1 capital notes. In addition, we have further optimized our balance sheet and leverage exposure, leading to an improved Swiss look-through leverage ratio of 3.9% as of year-end 2014 compared to the current 4.09% requirement for 2019. We continue to deploy capital in a disciplined manner based on our economic capital model, assessing our aggregated risk taking in relation to our clients' needs and our financial resources. The look-through common equity tier 1 (CET1) ratio was 10.1% as of the end of 2014, exceeding the 10% year-end target.

> Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on capital and leverage ratio trends.

Group cost efficiencies

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve our cost structure. We target cost savings of more than CHF 4.5 billion by the end of 2015, of which about CHF 3.5 billion of adjusted annualized savings were delivered as of the end of 2014. This target is measured against our annualized six month 2011 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

Furthermore, in February 2015, we announced additional incremental cost savings of CHF 200 million expected by the end of 2017.

We continue to adjust and optimize our footprint across businesses and regions and adapt Shared Services to changing business priorities.

> Refer to "Cost savings and strategy implementation" in II – Operating and financial review – Core Results – Information and developments for further information.

Group priorities

We expect our client-focused, capital-efficient strategy will enable us to benefit from a more constructive market environment while limiting our risk exposure in down markets. We have greater clarity on our future regulatory environment, and we are well advanced on implementation.

We target an after-tax return on equity of 15% across market cycles. To track our progress and benchmark our performance, we have defined a set of key performance indicators for growth, efficiency and performance and capital to be achieved across market cycles.

>Refer to "Key performance indicators" in II – Operating and financial review – Core Results – Information and developments for further information.

Building on the momentum we have established, we aim to further focus on our most profitable client businesses, gain market share, strengthen our geographic footprint and drive ongoing efficiency improvements. To achieve our goals, we continue to focus on the following six pillars of our strategy.

Client focus

We put our clients' needs first. We aspire to be a consistent, reliable, flexible and long-term partner focused on clients with complex and multi-product needs, such as >>>UHNWI, large and mid-sized companies, entrepreneurs, institutional clients, hedge funds and >>>affluent clients in Switzerland. By listening attentively to their needs and offering superior solutions, we empower our clients to make better financial decisions. Against the backdrop of significant changes within our industry, we strive to consistently enable our clients to realize their goals and thrive. We continue to strengthen the coverage of our key clients by dedicated teams of senior executives who can deliver our integrated business model. We have a strong capital position and high levels of client satisfaction and brand recognition, and our strong client momentum is well recognized.

Employees

We continue our efforts to attract, develop and retain top talent in order to deliver outstanding financial products and services to our clients. Our candidates go through a rigorous interview process, where we not only look for technical proficiency and intellect, but for people who can thrive in and contribute to our culture. We review our talent and identify the optimal development opportunities based on individual and organizational needs. We strongly promote cross-divisional and cross-regional development, as well as lateral recruiting and mobility. Valuing different perspectives, creating an inclusive environment and showing cross-cultural sensitivity are key to Credit Suisse's workplace culture. We train our leaders, specialists and client advisors in a wide range of subjects. We take a prudent and constructive approach to compensation, designed to reflect the performance of individuals and the firm and

closely align the interests of employees with those of shareholders.

Capital and risk management

We believe prudent risk taking aligned with our strategic priorities is fundamental to our business, and we maintain a conservative framework to manage liquidity and capital. We continue to strengthen our capital base and plan to issue additional contingent capital instruments while decreasing >>>risk-weighted assets and leverage exposure. Our goal is to reduce Group risk-weighted assets to a range of CHF 250–260 billion by the end of 2016, on a foreign exchange adjusted basis. The Group has revised its BIS leverage exposure target to CHF 930–950 billion by the end of 2015 from the previously reported Swiss leverage exposure target of approximately CHF 1,050 billion, on a foreign exchange adjusted basis. We are targeting a look-through Swiss leverage ratio of 4.5% by the end of 2015. We are targeting a look-through BIS tier 1 leverage ratio of approximately 4.0% by the end of 2015, of which the CET1 component is approximately 3.0%.

Efficiency

We continue to strive for top-quartile efficiency levels, while being careful not to compromise on growth or reputation. In line with the evolution of our strategy, implemented efficiency measures are generating significant cost savings while helping to build an efficiency culture. We have transferred additional services to our Centers of Excellence (CoE), which now account for more than 17% of our work force. We have established initiatives to further leverage the service capabilities and talent at our CoE.

Our cost/income targets are 65% in Private Banking & Wealth Management and 70% in Investment Banking across market cycles.

Collaboration

We are convinced that close collaboration between our divisions and regions is essential to delivering comprehensive solutions to the complex financial needs of our clients. We have established a dedicated governance structure in order to drive, measure and manage collaboration among our businesses. We target collaboration revenues of 18% to 20% of net revenues. In 2014, collaboration revenues represented 17% of net revenues. Since the inception of our collaboration program in 2006, we have built a strong track record of delivering customized value propositions. We believe this is a significant differentiator for Credit Suisse. We have observed continued momentum in collaboration initiatives, including tailored solutions for entrepreneurs and >>>HNWI clients by Investment Banking and managed investment products developed by Private Banking & Wealth Management. As we also benefit from our programs for cross-divisional management development and lateral recruiting, collaboration revenues, including cross-selling and client referrals, have proven to be a resilient source of both revenues and assets under management.

Corporate responsibility

A responsible approach to business is a key factor in 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 our relationship with stakeholders. Our approach is based on a broad understanding of our duties as a financial services provider and employer and 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.

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 our employees and members of the Board of Directors 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.

Industry trends and competition

Financial services firms faced a mixed operating environment in 2014. From a cyclical perspective, low interest rates and low levels of volatility supported certain investment banking activities, particularly origination and mergers and acquisitions (M&A), and helped drive solid asset and profit growth in the asset management industry. At the same time, these factors were detrimental for certain other investment banking activities (e.g., equity sales and trading) and parts of the wealth management industry (e.g., net interest income).

From a structural perspective, financial institutions continued to face significant pressure to adapt to new regulatory requirements and evolving client needs. In particular, private banks faced increased regulation of investment advisory and cross-border banking services, while investment banks were subject to heightened regulatory emphasis on leverage exposure. Partly in response to these pressures, global banks continued to take significant steps to restructure businesses and decrease costs while also taking measures to increase capital, leverage and liquidity ratios. In Switzerland, developments in the cross-border wealth management business continued to be driven by a focus on finding a political basis for operating this business in the future and ongoing efforts to resolve legacy cross-border matters, particularly with European countries and the US.

> Refer to “Our businesses – Private Banking & Wealth Management” and “Our businesses – Investment Banking” for further information.

Our businesses

Private Banking & Wealth Management

Business profile

Within the Private Banking & Wealth Management division, we offer comprehensive advice and a broad range of financial solutions to private, corporate and institutional clients. The strategic businesses of Private Banking & Wealth Management comprise Wealth Management Clients, Corporate & Institutional Clients and Asset Management.

Our **Wealth Management Clients** business is one of the largest in the international wealth management industry, serving over two million clients, including >>>UHNWI and >>>HNWI clients around the globe in addition to >>>affluent and retail clients in Switzerland. We offer our clients a distinct value proposition, combining global reach with a structured advisory process and access to a broad range of comprehensive products and services. Our global network includes 3,730 relationship managers in 41 countries with close to 300 offices and 21 >>>booking centers. As of the end of 2014, our Wealth Management Clients business had assets under management of CHF 874.5 billion.

Our **Corporate & Institutional Clients** business offers expert advice and high-quality services to a wide range of clients, serving the needs of over 100,000 corporations and institutions, mainly in Switzerland, including large corporate clients, small and medium size enterprises (SME), institutional clients, financial institutions, shipping companies and commodity traders. Around 1,800 employees, including 530 relationship managers, serve our clients out of 52 locations. While the Swiss home market remains our main focus, we also continue to build out our capabilities in international growth markets with dedicated teams in Luxembourg, Singapore and Hong Kong. As of the end of 2014, our Corporate & Institutional Clients business reported CHF 376.2 billion of client assets and CHF 68.6 billion of net loans.

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. Our capabilities span across a diversified range of asset classes with a focus on alternative, traditional and multi-asset portfolios, in many areas with a broad offering for emerging markets-related investment opportunities. Our Asset Management business had CHF 388.5 billion of assets under management as of the end of 2014.

We made further progress in winding down positions in our **non-strategic unit**, which was established in 2013. This includes positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the final settlement of all outstanding US cross-border matters, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products. Furthermore, it comprises certain remaining operations that we continue to wind-down relating to our domestic private banking business booked in Germany, which we sold in 2014. The non-strategic unit allows management to focus on ongoing businesses and growth initiatives and further accelerates the reduction of capital and costs currently tied up in non-strategic businesses.

Key data – Private Banking & Wealth Management

			in / end of
	2014	2013	2012
Key data			
Net revenues (CHF million)	12,637	13,442	13,474
Income before taxes (CHF million)	2,088	3,240	3,775
Assets under management (CHF billion)	1,377.3	1,282.4	1,250.8
Number of employees	26,100	26,000	27,300

Industry trends and competition

We believe the **wealth management** industry continues to have positive growth prospects. Assets of UHNWI and HNWI globally are projected to grow approximately 8% annually from 2013 through 2018, which compares to a similar 8% annual growth rate experienced from 2008 through 2013. Wealth creation continues to be at higher growth rates in emerging markets compared to mature markets, especially in Asia Pacific, fueled by entrepreneurial activity and comparatively strong economic development. With around 70% of the world's global wealth still located in the US, Western Europe and Japan, the mature markets continue to be of crucial importance for global wealth managers. 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. Further, new and proposed laws and international treaties are leading to increased regulation of cross-border banking. We believe Credit Suisse is well advanced in adapting to this new environment as we have and are continuing to dedicate significant resources to ensure our business is compliant with regulatory standards.

We believe the market for **corporate and institutional banking** services continues to offer attractive business opportunities in Switzerland and internationally. We are a leading bank in providing banking services to corporate and institutional clients in Switzerland, utilizing Credit Suisse's broad capabilities across its businesses, including the Investment Banking division.

The **asset management** industry continued to experience solid growth in asset levels and profits globally in 2014, partly due to the strong performance of financial markets worldwide. This was particularly the case in most developed markets, while some of the important emerging markets experienced a slowdown. Within the asset management industry, preferred investor allocations have shifted from traditional core asset management products to passive strategies, multi-asset class strategies and

alternative investments. Within alternative investments, global assets have reached record highs with particularly strong growth in hedge funds, real assets, alternative strategies for retail investors and liquid registered products. Strong private equity fundraising continued in 2014, with the largest managers receiving the majority of new investor commitments. The regulatory environment continued to evolve in 2014 and is expected to continue to trend towards simpler, more regulated fund structures in conjunction with investors seeking better transparency and risk management.

For the wealth and asset management industry in general, most firms continue to face similar challenges in terms of reduced fee-based margins, a low interest environment, expense pressures and the need to upgrade information technology platforms while complying with new regulatory demands and adjusting the product offering in response to changes in client behaviors. Competition and cost pressure in the banking industry remain intense and the industry is affected by new capital and leverage requirements, forcing many competitors to continue to review their business strategies and operating models. Attracting and retaining the best talent continues to be a key factor for success. As a result of these structural industry trends, we expect industry consolidation and restructuring to continue.

We believe Switzerland is well positioned to continue as an attractive financial center in this changing marketplace, offering clients a politically stable and economically diversified investment environment combined with a long-standing heritage in wealth and asset management services. Within the Swiss marketplace, M&A activity began to accelerate in 2014, a trend that we expect to continue as certain Switzerland-based private banks may find it challenging to maintain sufficient profitability. In addition, we estimate that small and medium-sized banks experienced a decline in assets under management in 2013 and 2014, while larger banks had positive net inflows and grew their market share.

Strategy

Within the Private Banking & Wealth Management division, we operate along the lines of our strategic businesses (i) Wealth Management Clients, (ii) Corporate & Institutional Clients and (iii) Asset Management. As a leading integrated banking institution in Switzerland we serve our wealth management, corporate & institutional clients globally as well as our retail clients in Switzerland. With the integration of the formerly separate Asset Management business into our division we are able to implement a more efficient, cost-effective operating model that better serves our clients. In particular, our investment views have been further aligned and tailored locally, leading to a simpler product shelf and streamlined delivery. In addition, we have regionalized and focused our product offering to shorten our response time to product needs and improve time-to-market.

We expect to make additional progress by continuing our long-term strategy focused on:

– Advice at the core
– Targeted global growth
– Productivity management
– Regulatory compliance
– Integrated bank
– Best people

Advice at the core: We strive for our clients to benefit from our value-adding services in terms of advice and performance. Our advisory value proposition is a vital part of our wealth management strategy to provide our clients with specific advice around their asset allocation and asset-liability management needs. Our globally consistent advisory process, which is at the center of our wealth management advice, allows us to define an investment strategy in line with each individual client’s risk profile and to deliver tailor-made and comprehensive financial solutions to our clients. To ensure the highest standards in our product offerings, our selection of internal and third-party solutions is based on comprehensive due diligence with regard to the suitability of products and advice. As we look ahead, our priority is to ensure that we address the evolving needs of our clients. In the Swiss home and select offshore markets, we introduced in late 2014 Credit Suisse Invest, a new range of advisory services, through which we offer investment solutions based on client needs and their preference of frequency of interaction and type of advice. Credit Suisse Invest is based on a competitive and transparent pricing model, with fees for the advisory services varying depending on the solution selected. It also includes lower safe custody fees and a significant reduction in transaction commissions.

Targeted global growth: We saw a further expansion of our footprint in emerging markets in the last year with strong net new asset growth of 9%. To further capture the superior growth opportunities of these regions, we are

planning to realign the expense base away from non-strategic and mature markets towards faster growing emerging markets. Our Swiss home market remains a key area of focus where we plan to leverage our strong market position and cross-segment collaboration to further increase scale. In mature markets outside Switzerland, we make selective investments to strengthen our profitable onshore franchises.

Productivity management: Key to achieving our productivity enhancements are the efficiency management programs that we announced and began implementing in November 2011 and further expanded with the creation of the combined division in November 2012. We are targeting CHF 950 million of direct expense savings as part of Credit Suisse's firm-wide cost savings target of CHF 4.5 billion by the end of 2015. The savings are mainly expected to come from the wind-down of non-strategic operations, the rationalization and further offshoring of support functions, increasing automation and platform consolidation.

Regulatory compliance: We are dedicated to strict compliance with national and international regulations and we proactively develop and implement new business standards to address changes in the regulatory environment.

Integrated bank: The value proposition of our integrated bank remains a key strength in our client offerings. Close collaboration with the Investment Banking division enables us to offer additional customized and innovative solutions to our clients, especially to

UHNWI clients, our fastest growing client segment. We strive to further strengthen our market share by continuing to build out our specific UHNWI product offerings, including the expansion of secured lending.
Best people: Attracting, developing and retaining the industry’s top talent continues to be a vital cornerstone of our strategy. Therefore, we continued to hire experienced senior relationship managers, who accounted for 61% of our relationship manager hires in 2014. We also continued and added to our extensive training and certification programs through which we enhance our existing talent pool.
Wealth Management Clients
In 2014, we continued to make significant progress towards our goal of becoming the leading private bank for UHNWI and HNWI clients globally while efficiently growing our affluent and retail business in our Swiss home market.
In our home market in **Switzerland**, our clients range from the retail segment up to UHNWI. They benefit from a broad service offering and widespread local presence. Our nation-wide branch network with over 200 locations allows us to stay in close contact with our clients and to identify new business opportunities across client segments. To enhance efficiencies and improve productivity we implemented two focused business areas: First, a dedicated coverage team for UHNWI and External Asset Managers to meet the complex and demanding needs of these clients, which often resemble those of institutional clients. Second, an effective coverage organization for our clients in Switzerland, ensuring high client proximity and a seamless service offering for our clients ranging from the retail and affluent to the HNWI segment.
In **emerging markets** we continue to make focused investments to capture the attractive growth prospects in these regions. Our clients benefit from our broad global footprint and the services we provide in collaboration with Credit Suisse’s established global Investment Banking presence. To advance our business in these markets and facilitate client connectivity, we have a firm-wide emerging markets council, comprised of 25 country heads and senior business heads from both divisions across the firm. This collaborative partnership leverages our global platform, ensuring a constant strategic dialogue with clients to generate customized investment and business opportunities. The council regularly hosts client events and distributes thought leadership ideas reflecting individual views on markets and economies. The importance of emerging markets for our Wealth Management Clients business has continued to increase, with assets from emerging markets accounting for 39% of our assets under management as of year-end 2014 (compared to 35% at the end of 2011). We are further increasing depth in key markets like Brazil, China, Indonesia and the Middle East, and continue to enhance our Singapore and Hong Kong on- and offshore offerings. We expect to further accelerate our emerging markets expansion by extending our secured lending offerings and increasing the hiring of experienced relationship managers in these regions. Our achievements in emerging markets are being recognized with private banking and wealth management awards, including by the *Professional Wealth Management Magazine/The Banker*, for having the “Best Private Bank in Russia in 2014” as well as the “Best Private Bank in the Middle East in 2014”. In addition, Credit Suisse was awarded “Best Private Bank Taiwan (Foreign)”, “Best Family Office Offering” and “Best UHNW Offering” at the *6th Private Banker International Greater China Awards* held in May 2014 in Hong Kong.
Against the backdrop of an evolving business and regulatory environment in **mature markets** in Western Europe, North America, Japan and Australia, we continue to transform our businesses to accelerate growth and enhance efficiency. In Western Europe, we completed the sale of our domestic private banking business booked in Germany and our local affluent and upper affluent business in Italy. We remain fully committed to serving German and Italian wealth management clients. In the case of Germany we will do so on a cross-border basis, leveraging our comprehensive international platforms, particularly in Switzerland and Luxembourg. In Italy, we continue to invest in the onshore platform that focuses on the upper HNWI and UHNWI client segments. We also plan to continue to grow select profitable onshore markets as evidenced by the launch of our advisory branch in Portugal and our acquisition of Morgan Stanley’s private wealth management businesses in EMEA, excluding Switzerland. In the United States, we continue to grow and invest in our domestic private banking business, which continued to improve its financial performance in 2014, while increasing the cross-divisional collaboration with our investment banking franchise. Enhancements in our product offerings, such as residential mortgages and non-standard collateral lending, and investment in our platform, such as enhanced digital capabilities and a streamlined client onboarding process, demonstrate our commitment to serve select clients in the world’s largest wealth management market. The launch in 2014 of our onshore private wealth management business in Canada allows us to leverage our investment banking

business in this mature market and further expands our North American footprint.

In all regions, the **UHNWI** client segment is an important growth driver for our business. By combining individual and comprehensive advice with dedicated investment ideas we continue to focus on this fast-growing client segment. Our offer is complemented by customized and innovative asset management and investment banking solutions based on our integrated bank approach. We continue to successfully execute our growth strategy, as UHNWI clients represented 48% of our assets under management at year-end 2014, compared to 37% at the end of 2011. We plan to continue to build out our specific product capabilities for UHNWI clients to further capture the segment's growth potential, including the expansion of our secured lending offering.

To further reduce operational complexity and respond to increasing regulatory scrutiny, primarily in our cross-border business, we decided to fully exit from serving clients domiciled in over 80 small markets, primarily in Eastern EMEA. Similarly, we decided to discontinue servicing the affluent client segment in over 60 additional mainly small markets. These decisions were largely implemented throughout 2014 and had a minor impact on our

assets under management while creating efficiency and productivity gains by ensuring that our attention and resources are focused on targeted markets and client segments.

Corporate & Institutional Clients

In 2014, we successfully leveraged our strong market position in Switzerland and intensified cross-segment collaboration and referrals and successfully maintained the productivity in our business, despite the pressure on net interest income reflecting the ongoing low interest rate environment.

We maintained and selectively improved our leading position in Switzerland within our aspiration to position ourselves as the "Bank for Entrepreneurs" for our corporate and institutional clients. We significantly increased commission and fee revenues across key businesses, supported by comprehensive sales excellence training to our employees. Internationally, we reinforced our growth strategy by strengthening our presence in the Asia Pacific region, while reducing non-core and capital-intensive business activities, in line with the Group's objective to further improve capital ratios while investing in profitable growth and increasing efficiency.

Also in 2014, we received a number of prestigious awards including: "Best Trade Finance Bank in Switzerland", "Best Foreign Exchange Provider in Switzerland" and "Best Sub-Custodian Bank in Switzerland" from *Global Finance* magazine, as well as "Best Bank Debt – East Award" from *Marine Money* and "Best Private Bank EMEA" from *Corporate Jet Investor* magazine, and the silver medal from "Best of Swiss Apps 2014".

Asset Management

In 2014, we made significant progress in our strategy and refocused the business around a boutique model. We have redefined our value proposition around three core elements: (i) highly specialized investment boutiques, (ii) governance, monitoring and fiduciary capabilities for clients and (iii) leveraging our market-leading talent and intellectual capital. We continue to optimize our distribution efforts to expand our client reach through our own distribution teams, other Credit Suisse channels and third-party distribution channels. Within a combined Private Banking & Wealth Management division, we ensure close collaboration between the wealth and asset management businesses. Our clients benefit from the division-wide alignment and focusing of our investment ideas and our UHNWI clients, in particular, from the increased speed in the delivery of individually customized investment solutions as well as the access to one of the leading global alternative investment managers.

In alternative investments, we are focusing on providing investors with attractive investment alternatives to traditional equities and fixed income. With CHF 81.5 billion in assets under management at year-end 2014 across hedge fund, credit, commodity strategies and a broad asset spectrum in emerging markets, we are one of the leading diversified alternatives managers globally. Our goal is to further increase scale in our main businesses and to seize opportunities in specialized niche areas.

With CHF 306.9 billion assets under management at year-end 2014, our traditional investments business is a leader in the Swiss market, offering equity, fixed income, real estate, index and multi-asset class solutions products. Our strategic areas of focus include positioning our traditional investments business as a European investment manager, expanding our footprint in Asia and launching dedicated solutions and products for UHNWI clients. In May 2014, Credit Suisse was named "Best Fund Provider In Switzerland" by *FERI EuroRating Services AG*. Our real estate business is a market leader in Switzerland and the third-largest European property fund manager.

In April 2014, we entered into an agreement with the then head of Credit Suisse Hedging-Griffo Asset Management pursuant to which he became the controlling shareholder of a new firm, Verde Asset Management, and we became a minority shareholder. The new structure for this relationship follows a model adopted by our Asset Management business designed to strengthen its platform in Brazil. The transaction was completed in the fourth quarter of 2014.

Products and services

The Private Banking & Wealth Management division offers a variety of products and services. They can be broadly divided into those products and services provided by each of our businesses within the division, as described below.

Wealth Management Clients

In Wealth Management Clients, our service offering is based on our structured advisory process, client segment specific value propositions, comprehensive investment services and our multi-shore platform.

– **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, in the case of discretionary mandates, or our relationship managers working together with their advisory clients.
– **Client segment specific value propositions:** We offer a wide range of wealth management solutions tailored to specific client segments. UHNWI and HNWI clients contributed 48% and 41%, respectively, of assets under management in Wealth Management Clients at the end of 2014. For entrepreneurs, we offer solutions for a range of private and corporate wealth management needs, including succession planning, tax advisory, financial planning and investment banking services. Our entrepreneur clients benefit from the advice of Credit Suisse's

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corporate finance advisors, access to a network of international investors and professional support in financial transactions. A specialized team, Solutions Partners, offers holistic and tailor-made business and private financial solutions to our UHNWI clients.
– **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 Strategy & Research Group and the Credit Suisse Investment Committee. We base our advice and services on the analysis and recommendations of our research teams, which provide a wide range of global research including macroeconomic, equity, bond 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, 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 20 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. In 2014, CHF 26.4 billion of net new assets in Wealth Management Clients were booked outside of Switzerland, and we expect that international clients will continue to drive our growth in assets under management.

Corporate & Institutional Clients

In accordance with our ambition to position ourselves as the “Bank for Entrepreneurs”, we provide corporate and institutional clients with a comprehensive range of financial solutions. To meet our clients’ evolving needs, we deliver our offering through an integrated franchise and growing 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 in Switzerland and abroad. For corporate clients, we provide a broad spectrum of core banking products such as traditional and structured lending, payment services, foreign exchange, capital goods leasing and investment solutions. In addition, we work closely with the Investment Banking division to supply customized services in the areas of mergers and acquisitions, syndications and structured finance. For corporations with specific needs for global finance and transaction banking, we provide services in commodity trade finance, export finance as well as trade finance and factoring. For our institutional clients, including pension funds, 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

In Asset Management, we offer institutional and individual clients a range of products, including alternative and core traditional products. We reach our clients through our own distribution teams in Private Banking & Wealth Management, the Investment Banking division and through third-party distribution channels.

Our alternative investment offerings include hedge fund strategies, alternative beta, 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.

Our core 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.
20

Investment Banking

Business profile

Investment Banking provides a broad range of financial products and services, focusing on businesses that are client-driven, >>>flow-based and capital-efficient. Our suite of products and services includes global securities sales, trading and execution, prime brokerage and capital raising and advisory services as well as comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world. We deliver our global investment banking capabilities via regional and local teams based in 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 – Investment Banking

			in / end of
	2014	2013	2012
Key data			
Net revenues (CHF million)	12,515	12,565	12,558
Income before taxes (CHF million)	1,830	1,719	2,002
Number of employees	19,400	19,700	19,800

Industry trends and competition

Operating conditions were generally favorable in 2014, despite a challenging start to the year for some of our businesses. In fixed income sales and trading, we experienced continued momentum in securitized products given investor demand for yield products amid a low interest rate environment. Emerging markets client activity rebounded following difficult trading conditions early in the year due to the US Federal Reserve's actions to end its bond-buying program. Our macro businesses were negatively impacted by structural and regulatory industry changes, specifically the migration of markets towards cleared and electronic trading, though client activity improved from low levels in the second half of the year. Equities sales and trading results were subdued in light of a low volume, low volatility environment and as 2013 benefited from quantitative easing in Japan and strong Brazil performance. Equity underwriting activity was robust, reflecting low levels of volatility, though debt underwriting activity declined, reflecting weak high yield market issuance, due to increased fourth quarter volatility. M&A activity also increased reflecting higher completed M&A volumes and increased chief executive officer (CEO) confidence in the Americas.
In addition, from a regulatory perspective, financial institutions across the globe continued to face significant pressure to adapt to the changing market requirements. To this end, we are focused on building a capital efficient Investment Banking business. We have significantly evolved our business model and were one of the first global banks to be >>>Basel III compliant, beginning in January 2013. With heightened regulatory emphasis on leverage exposure, we are focused on optimizing our balance sheet in an effort to achieve the Group's targets. As a result, we expect increased capital and liquidity requirements and >>>derivatives regulation to result in reduced risk-taking and enhanced transparency.

Strategy

We continue to proactively pursue a client-focused, cost- and capital-efficient business model. Specifically, our key priorities include: allocating resources to our market-leading and capital-efficient businesses where we expect to generate strong returns on regulatory capital; increasing profitability and reducing capital usage in our repositioned macro business; optimizing delivery and product set across Investment Banking to drive growth in Private Banking & Wealth Management; offsetting higher regulatory costs with continued cost efficiencies; and winding down our non-strategic unit's Basel III risk-weighted assets and leverage exposure to reduce the negative impact on both pre-tax income and return on regulatory capital.
Over the past two years, we have made considerable progress in improving capital efficiency. We reduced Basel III risk-weighted assets usage for Investment Banking by USD 13 billion or 7% from USD 175 billion in 2013 to USD 161 billion in 2014. Additionally, we reduced Swiss leverage exposure by USD 42 billion from USD 836 billion in 2013 to USD 794 billion in 2014. We expect to further optimize leverage exposure through the continued wind-down of our non-strategic unit, structural optimization of our balance sheet and selected business reductions in our strategic businesses.

As part of the continuing efforts to advance our business model, we created a non-strategic unit within Investment Banking in 2013, with the goal of reducing costs, capital and leverage exposure in the non-strategic portfolio and redeploying resources to growth initiatives in high returning businesses. Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, commodities trading business, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions. In 2014, we made significant progress in winding down our non-strategic Basel III risk-weighted assets and leverage exposure. Specifically, we reduced Basel III risk-weighted assets by USD 11 billion or 51% and leverage exposure by USD 23 billion or 27% from year-end 2013. In connection with these actions, we are targeting non-strategic Basel III risk-weighted asset reductions of USD 4 billion from year-end 2014 to USD 6 billion by the end of 2015 and non-strategic Swiss leverage exposure reductions of USD 40 billion from year-end 2014 to USD 24 billion by the end of 2015.

Over the past few years, our macro businesses have been impacted by a combination of adverse market conditions and changes in the structural and regulatory landscape. In 2014, we exited and transferred our commodities trading business into our non-strategic unit to further maximize franchise profitability. With

regard to our ongoing businesses, we re-focused our foreign exchange business towards electronic trading, while selectively maintaining voice offerings for key clients and trades. We also further simplified the rates product offering, focusing primarily on satisfying client liquidity needs in cash products and derivatives.
Another component of our evolved strategy is our focus on cost initiatives, which have been ongoing since the second quarter of 2011. We remain focused on improving operating efficiency and are targeting the delivery of CHF 1.85 billion of direct cost savings by end 2015 compared to the annualized six-month 2011 run rate. These savings are measured at constant foreign exchange rates and adjusted to exclude significant non-operating expenses and variable compensation expenses. Through these initiatives, we are creating significant flexibility in our Investment Banking cost structure, which allows us to adapt to the challenging market environment while taking advantage of favorable market opportunities when they arise.
Looking ahead, we believe our client-focused and cost- and capital-efficient strategy will allow us to deliver strong returns. We continue to refocus resources on opportunities in high-returning businesses such as securitized products, global credit products, cash equities, prime services, and emerging markets, and to reduce the negative impact on both pre-tax income and return on regulatory capital from the non-strategic unit.
> Refer to “Regulation and supervision” for further information on regulatory developments.
Significant transactions
We executed a number of noteworthy transactions in 2014, reflecting the breadth and diversity of our Investment Banking franchise:
– **Debt capital markets**: We arranged key financings for a diverse set of clients including Zimmer Holdings (medical devices), Sharjah Electricity and Water Authority (energy), AT&T (telecom), Verizon Communications (telecom) and Credit Agricole (financial services).
– **Equity capital markets**: We executed the initial public offering (IPO) for Alibaba (online retailer), IPO of Parsley Energy (oil and natural gas company), IPO of Jumei International Holdings (consumer), follow-on offering for Piraeus Bank Group (financial and banking services), follow-on offering for Diamondback Energy (oil and natural gas company), follow-on offering for Enel SPA (electricity and natural gas) and follow-on offering for Fibra Uno de Mexico (operates as a real estate investment trust).
– **Mergers and acquisitions:** We advised on a number of key transactions throughout the year, including Beam’s acquisition of Suntory Holdings Limited (alcoholic beverages), Lenovo Group’s acquisition of the mobile handset division of Google (technology), sale of Paladin Labs to Endo Health Solutions (health care), Analog Devices’ acquisition of Hittite Microwave Corp (defense), Merck’s acquisition of Idenix Pharmaceuticals (pharmaceuticals) and GlencoreXstrata’s sale of its entire interest in the Las Bambas copper mine project (mining).
Market share momentum
– We remained the top-ranked European prime broker for the fifth consecutive year according to *EuroHedge Magazine*.
– We maintained our position as the second-ranked prime broker in Asia for the second consecutive year, according to the 2014 *AsiaHedge Survey*.
– We maintained our top-three ranking in Americas prime brokerage for the second consecutive year, according to *The Absolute Return* 2014 Prime Brokerage Survey.
Products and services
Our comprehensive portfolio of products and services is aimed at the needs of the most sophisticated clients, and we increasingly use integrated platforms to ensure efficiency and transparency. Our activities are organized around two broad functional areas: investment banking and global securities. In investment banking, we work in industry, product and country groups. The industry groups include energy, financial institutions, financial sponsors, industrial and services, healthcare, media and telecom, real estate, and technology. The product groups include M&A and financing products. The country groups include Europe, Latin America, North America, Japan, Non-Japan Asia, and Emerging Europe. In global securities, we engage in a broad range of activities across fixed income, currencies, commodities, derivatives and cash equities markets, including sales, structuring, trading, financing, prime brokerage, syndication and origination, with a focus on client-based and flow-based businesses, in line with growing client demand for less complex and more liquid products and structures.
Investment banking
The investment banking industry, product and country groups provide the following services.
Equity and debt underwriting

Equity capital markets originates, syndicates and underwrites equity in IPOs, common and convertible stock issues, acquisition financing and other equity issues. 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 and restructurings, divestitures and takeover defense strategies. The fund-linked products group is responsible for the structuring, risk management and distribution of structured mutual fund and alternative investment products and develops innovative products to meet the needs of its clients through specially tailored solutions.

Global securities

Global securities provides access to a wide range of debt and equity securities, derivative products and financing opportunities across the capital spectrum to corporate, sovereign and institutional clients. Global securities is structured into the areas outlined below.

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.

– **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.

– **Global macro products** includes our restructured rates and foreign exchange businesses. Our rates business is a global market maker in cash and derivatives markets and a primary dealer in multiple jurisdictions including the US, Europe and Japan. This business covers a spectrum of government bonds, interest rate swaps and options, and provides liability and liquidity management 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; such as (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 exchanges in more than 35 countries worldwide via more than 45 leading trading platforms.

– **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 distributing 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

The 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.

Organizational and regional structure

Organizational structure

We operate in two global divisions and reporting segments – Private Banking & Wealth Management and Investment Banking. Consistent with our client-focused, capital-efficient business strategy, we coordinate activities in four market regions: Switzerland, EMEA, Americas and Asia Pacific. In addition, Shared Services provides centralized corporate services and business support, as well as effective and independent control procedures in the following areas:

– The Chief Financial Officer (CFO) area covers many diverse functions, including Corporate Development, Information Technology, Corporate Real Estate & Services, Group Insurance, Efficiency Management, New Business, Global Operations, Product Control, Tax and Treasury and Group Finance, including Financial Accounting and Investor Relations.

– The Legal and Compliance area provides legal and compliance support to help protect the reputation of Credit Suisse. It does so by giving legal and regulatory advice and providing employees with the tools and expertise to comply with applicable internal policies and external laws, rules and regulations.

– The Chief Risk Officer (CRO) area comprises market, credit, operational and fiduciary risk management, enterprise risk management and risk & finance data analytics and reporting, which cooperate closely to maintain a strict risk control environment and to help ensure that our risk capital is deployed wisely.

– The Talent, Branding and Centers of Excellence area comprises human resources, corporate branding and advertising and our CoE. Human Resources strives to attract, retain and develop staff, while also creating a stimulating working environment for all employees. Branding works closely with the businesses to manage our brand as a common touchstone, a differentiator in a competitive market and a motivator of behavior and our promise to clients. Our CoE support our global operations in process optimization by providing services and best practices away from the on-shore locations and are an essential component in the implementation of our strategy.

Other functions providing corporate services include Corporate Communications, One Bank Collaboration and Public Policy. Corporate Communications provides support in media relations, crisis management, executive and employee communications. One Bank Collaboration facilitates cross-divisional collaboration initiatives throughout the Group and measures and controls collaboration revenues. Public Policy promotes and protects the interests of Credit Suisse and its reputation.

The divisional CEOs report directly to the Group CEO, and, together with the CFO, CRO, General Counsel and Chief Marketing and Talent Officer, they formed the Executive Board of Credit Suisse in 2014.

Our Internal Audit function reports directly to the Audit Committee of the Board of Directors.

Our structure is designed to promote cross-divisional collaboration while leveraging resources and synergies within our four regions. The regions perform a number of essential functions to coordinate and support the global operations of the two divisions. On a strategic level, regions are responsible for corporate development and the establishment of regional business plans, projects and initiatives. They also have an oversight role in monitoring financial performance. Each region is responsible for the regulatory relationships within its boundaries, as well as for regulatory risk management and the resolution of significant issues in the region as a whole or its constituent countries. Other responsibilities include client and people leadership and the coordination of the delivery of Shared Services and business support in the region.

Market regions

Switzerland

Switzerland, our home market, represents a broad business portfolio. We have 17,100 employees in Switzerland. Reflecting our ambition to position Credit Suisse as the "Bank for Entrepreneurs", we help to consolidate the success of the Swiss economy and to promote entrepreneurship. The Private Banking & Wealth Management division comprises our Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. In Wealth Management Clients, we offer our clients a distinct value proposition by combining a global reach with a structured advisory process and access to a broad range of sophisticated products and services tailored to different client groups, from private clients to >>>UHNWI. We serve clients in 204 branches. Additionally, we are dedicated experts for our external asset manager business. In Corporate & Institutional Clients, we provide premium advice and solutions within a broad range of banking services, including lending, cash and liquidity management, trade finance, corporate finance, foreign exchange, investment solutions, ship and aviation finance, global custody and asset and liability management. Clients taking advantage of these solutions include SME, global corporations and commodity traders,

banks and Swiss pension funds. Asset Management offers an array of highly specialized investment boutiques, for example, traditional investments, alternatives and discretionary mandates. The Investment Banking division offers a full range of financial services to its Swiss client base, holding market-leading positions in the Swiss debt and capital markets as well as in M&A advisory.

EMEA

We are active in 28 countries across the EMEA region with 9,900 employees working in 51 offices. Our regional headquarters is in the UK, but we have an onshore presence in every major EMEA country. The EMEA region encompasses both developed markets, such as France, Germany, Italy, Spain and the UK, and emerging markets, including the Middle East, Poland, Russia, South Africa and Turkey. We implemented our client-focused integrated strategy at the country level, serving corporate, government, institutional and private clients. Both divisions are strongly represented in the EMEA region, with the Investment Banking division providing a spectrum of financial advisory services with strong market shares across many key products and markets. The Private Banking & Wealth Management division continues to further develop its integrated UHNWI offerings and to focus on the distribution of a variety of investment products, including alternative investments and core investments such as equities, fixed income, real estate, multi-asset class solutions and index solutions.

Americas

We have operations in the US, Canada, the Caribbean and Latin America with 10,900 employees working in 42 offices spanning 14 countries. In the US, our emphasis is on our core client-focused and market-leading businesses in Investment Banking, and on building on market share gains we have achieved in a capital-efficient manner. In Private Banking & Wealth Management, we see considerable potential to leverage our cross-divisional capabilities, as we further develop our onshore wealth management platform in the US, Brazil, Canada and Mexico. In Latin America, particularly in our key markets of Brazil and Mexico, we continue to focus on providing clients with a full range of cross-divisional services.

Asia Pacific

We are present in 12 Asia Pacific countries with 7,900 employees working in 25 offices, giving us one of the broadest footprints among international banks in the region. Singapore and Hong Kong are key hubs for our Private Banking & Wealth Management business, while Australia and Japan are home to our expanding domestic private banking franchises. We serve UHNWI and >>>HNWI, combining global reach with a structured advisory process, offering distinct client segment specific value propositions, as well as access to a broad range of comprehensive and sophisticated products and services. We also deliver innovative and integrated solutions in close collaboration with our Investment Banking division. Our market-leading Investment Banking business operates principally in Hong Kong and Singapore. The strong equity and research platform helps underpin a robust capital markets and Investment Banking franchise. The Investment Banking division is recognized as a leader in the industry, contributing thought leadership through research, conferences and industry commentary.

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 2014 and early 2015 are discussed below.

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 30, 2014, the Swiss Federal Council enacted an encompassing revision of the Swiss Federal Ordinance on Banks and Savings Banks (Banking Ordinance). The revision includes the implementation of the new Swiss accounting legislation of the Swiss Code of Obligations, in force since January 1, 2013, for Swiss banks as well as of the regulations in the Swiss Federal Law on Banks and Savings Banks of November 8, 1934, as amended (Bank Law), in force since January 1, 2015, regarding dormant assets. The revision entered into force on January 1, 2015, but certain regulations, such as the individual valuation of participations, are subject to transitional provisions until full implementation on January 1, 2020. In December 2014, the Swiss Bankers Association issued new guidelines on the treatment of assets without contact and dormant assets held at Swiss banks. The guidelines entered into effect on January 1, 2015 and have been accepted by the >>>Swiss Financial Market Supervisory Authority FINMA (FINMA) as a minimum standard. The guidelines implement the related provisions in the revised Banking Ordinance and Bank Law in force since January 1, 2015, allowing information on dormant accounts to be published and allowing the transfer of the dormant assets to another bank, in each case without the client’s consent.

On June 3, 2014, FINMA published Circular 2015/1 “Accounting – Banks” which, in conjunction with the revised Banking Ordinance, contains the new accounting guidelines and reporting duties for Swiss financial groups and conglomerates, banks and securities dealers, including us. Circular 2015/1 entered into effect on January 1, 2015.

On June 27, 2014, the Swiss Federal Council published the draft Federal Financial Services Act (FFSA) and draft Financial Institutions Act (FinIA) for consultation. The FFSA governs the prerequisites for offering financial

instruments and providing financial services, including the resolution of related disputes and the provision of financial services to Swiss clients on a cross-border basis. The draft FinIA provides for a differentiated supervisory regime for financial institutions and a special due diligence obligation to prevent the acceptance of untaxed assets. The consultation period ended on October 17, 2014. It is expected that dispatches on the FFSA and the FinIA are adopted by the Swiss Federal Council and draft legislation submitted to the Swiss Parliament during the second half of 2015.
On December 12, 2014, the Swiss Parliament revised the Bank Law, the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) and the Collective Investment Schemes Act to improve the protection of non-public information against violations of professional secrecy obligations. Pursuant to the revisions, receivers of the disclosed information are now penalized if they further disclose or utilize such information. The revisions also increased the maximum prison penalty to five years when there is a pecuniary advantage involved. The revisions are subject to a referendum until April 2, 2015.

On December 12, 2014, the Swiss Parliament adopted the Federal Act on Implementing the Revised Recommendations of 2012 of the Financial Action Task Force. The act revises a number of Swiss federal acts, including the Swiss Federal Act on Combating Money Laundering and Terrorist Financing in the Financial Sector and the Swiss Code of Obligations. Among others, the act intends to improve transparency with respect to legal entities and bearer shares, provide for more stringent obligations for financial intermediaries in connection with the identification of legal entities' beneficial owners, expand the term "politically exposed person" and introduce new predicate offenses for money laundering. This revision is subject to a referendum until April 2, 2015.

Derivative regulation

On September 3, 2014, the Swiss Federal Council adopted the dispatch on the Financial Market Infrastructure Act (FMIA) and submitted it to the Swiss Parliament. 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 >>>OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or EMIR).

On November 12, 2014, the International Swaps and Derivatives Association, Inc. (ISDA) published the ISDA 2014 Resolution Stay Protocol (Protocol), which the Chairman of the Financial Stability Board recognized as a crucial element of regulators' global efforts to end "Too Big to Fail." The Protocol provides a contractual approach to cross-border recognition of resolution regimes to supplement and extend the powers available to resolution authorities under national statutory resolution regimes, including the Swiss regime administered by FINMA. Credit Suisse, together with 17 other banking groups identified as global systemically important banks by the Financial Stability Board, voluntarily adhered to the Protocol, which amends the terms of ISDA Master Agreements and related credit-support arrangements between the adhering parties to make such agreements subject to certain designated "Special Resolution Regimes", regardless of the governing law of the agreement. As a result, were one of the parties to the Protocol to enter resolution under a regime covered by the Protocol, the swaps and derivatives documented under ISDA Master Agreements between the party in resolution and the other parties to the Protocol would be subject to the provisions of the resolution regime for the party being resolved, including the provisions that stay or override termination rights. The Protocol also introduces similar stays and overrides in the event that an affiliate of an adhering party becomes subject to proceedings under certain ordinary US insolvency regimes, under which no such stays or overrides currently exist. However, such stays and overrides applicable under ordinary US insolvency regimes will not be effective under this portion of the Protocol until US regulators enact regulations requiring banks and their counterparties generally to trade on terms similar to those provided under the Protocol. As a result of the Protocol, it is anticipated that, upon the resolution of a party to the Protocol, under certain circumstances, derivatives counterparties that have adhered to the Protocol will be prevented from immediately terminating outstanding derivatives contracts, giving regulators time to resolve a troubled institution in an orderly manner. The Protocol was developed by a working group of ISDA member institutions, including Credit Suisse, other dealer banks and buyside representatives, in coordination with the Financial Stability Board. Regulations resulting in adherence to the Protocol by other of Credit Suisse's counterparties, including other dealer banks that have not yet adhered to the Protocol and end user and buyside counterparties, are expected in 2015, with effectiveness in 2016 or 2017.

Cross-border cooperation

On January 1, 2014, two implementation agreements, which supplement the agreement between Switzerland and Germany to increase cross-border cooperation, entered into effect. The implementation agreements were finalized by FINMA and Germany's Federal Financial Supervisory Authority and define the scope of cooperation. The cross-border cooperation agreement aims to facilitate the ability of financial institutions in both countries to provide banking services and mutual funds to customers in the other country. The agreement is expected to remain effective under the revised Markets in Financial Instruments Directive (MiFID II), subject to the assessment of the Swiss and German authorities on the compatibility of the agreement with MiFID II.

Executive compensation

On March 3, 2013, Swiss citizens approved the so-called "Minder Initiative" intended to strengthen shareholder rights. The initiative requires legislation to be passed to impose board and executive compensation-related requirements on Swiss public companies, including requiring a binding (rather than advisory) shareholder vote on total board and total executive management compensation and prohibiting severance payments, salary prepayments and payments related to the acquisition or disposal of companies. The initiative also provides that the board members, the board chairperson

and the compensation committee members be directly elected by shareholders annually, which happened for the first time at Credit Suisse's annual general meeting in 2014. Further, the initiative calls for criminal sanctions in case of noncompliance. The Swiss Federal Council issued the transitional ordinance on November 20, 2013, which entered into force on January 1, 2014. The Ordinance against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) implements the initiative until the final legal implementation is approved by the parliament and enters into force.

On November 28, 2014, the Swiss Federal Council published a white paper and a consultation draft for the reform of Swiss corporation law. The proposal covers a variety of different matters, such as capital structure and shares, capital increases and reductions, rights of shareholders at and before shareholders' meetings and shareholder lawsuits, and also implements compensation matters currently regulated in the Compensation Ordinance. The consultation period ended on March 15, 2015.

Reimbursement of commissions

The Swiss Federal Supreme Court issued a decision in the fourth quarter of 2012 in a case brought by a client of another bank seeking reimbursement of commissions paid to the client's bank by providers of investment products. The court ruled that such payments ("retrocessions") received in the context of a discretionary asset management mandate from issuers of investment products are owed to the client (including payments from intra-group companies) unless a client waiver is in place. Based on our current evaluation, we expect no material exposure from this decision. In line with industry trends, we have introduced several inducement-free offerings.

Tax

On February 1, 2013, the Swiss Tax Administrative Assistance Act entered into force. The act governs administrative assistance in double taxation and other 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. In August 2013, the Swiss Federal Council announced that it would seek to amend the act to comply with international standards. In March 2014, the Swiss Parliament approved amendments relating to the deferred notification of parties concerned, which will allow 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. Such amendments entered into force on August 1, 2014.

On December 18, 2013, the Swiss Federal Council adopted the mandate for negotiations regarding a revision of the taxation of savings agreement between the EU and Switzerland. The envisaged revision should bring the agreement in line with the planned revision of the EU Savings Directive and close current perceived gaps. Switzerland and the EU have officially started negotiations on January 17, 2014. In October 2014, the European Union Economic and Financial Affairs Council (ECOFIN) published a revised Directive on Administrative Cooperation in the field of taxation between EU member states, intending to extend the scope for mandatory automatic exchange of information between tax administrations. In December 2014, the ECOFIN agreed on the extended scope and this decision implements the OECD automatic exchange of information standard within the EU. The EU is trying to reach an agreement with third countries such as Switzerland regarding amendments to saving taxation agreements implementing the EU Savings Directive.

On May 6, 2014, Switzerland, along with other 46 countries and the EU, endorsed the Declaration on Automatic Exchange of Information in Tax Matters at the Ministerial Council Meeting of the OECD. The Declaration commits countries to implement a new single global standard on automatic exchange of information. The standard, which was developed at the OECD and endorsed by G20 finance ministers in February 2014, obliges countries and jurisdictions to obtain all financial information from their financial institutions and exchange that information automatically with other jurisdictions on an annual basis.

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.

On September 22, 2014, the Swiss Federal Council launched a consultation on its draft Corporate Tax Reform III, consisting largely of three elements: (i) the introduction of new measures to tax mobile income in line with international standards, (ii) a proposed general reduction of cantonal income tax rates, which would also require approval at the cantonal level, and (iii) specific adjustments to enhance the corporate income tax system. The consultation period ended on January 31, 2015.

On October 8, 2014, as a consequence of Switzerland's endorsement of the Declaration on Automatic Exchange of Information in Tax Matters at the Ministerial Council Meeting of the OECD, the Swiss Federal Council approved negotiation mandates to introduce the new global standard with partner states, including switching to Model 1 under FATCA, which would provide for the automatic exchange of information with the US tax authority. The results of the negotiations and the proposed legislation would then need to be submitted to the Swiss Parliament.

On November 19, 2014, the Swiss Federal Council approved a declaration on Switzerland joining the multilateral agreement on the automatic exchange of information in tax matters (Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information). This international agreement, which was developed within the OECD framework, forms a basis for the future introduction of the cross-border automatic exchange of information. The Swiss Parliament is expected to separately decide the countries with which Switzerland should introduce this exchange of information. Subject to the approvals by the Swiss Parliament and, if necessary, the Swiss voters, the Federal Council intends to begin the data collection in 2017 and to start the exchange of information in 2018.

On December 17, 2014, the Swiss Federal Council published draft legislation for consultation refining the Swiss federal withholding tax system, in particular to facilitate the raising of capital within Switzerland. The proposal includes the partial introduction of a paying agent-based regime instead of the existing debtor-based regime for withholding tax. Under the current system, withholding tax is imposed and collected irrespective of the beneficiary of the

taxable payment. Under the new system, withholding tax generally would be imposed only on payments beneficially owned by Swiss tax residents. As a consequence, the paying agent would have to decide whether withholding tax is to be collected on a case by case basis. Certain exceptions from the paying agent-based regime are proposed, in particular with respect to income from Swiss participation rights (e.g. dividend income). In order to avoid evasion by individuals resident in Switzerland through the interposing of a custodian bank abroad, the enactment of the new system depends upon the automatic exchange of information with a sufficient number of other states. In light of this, the Swiss Federal Council mentions 2019 as a potential year for entry into force. The consultations are scheduled to run until March 31, 2015.

On January 14, 2015, the Swiss Federal Council launched two consultations on the international exchange of information in tax matters. The purpose of both consultations is to enable the automatic exchange of information. One consultation relates to Switzerland’s participation in the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information and the related Swiss implementing act. The other consultation concerns the OECD’s and Council of Europe’s administrative assistance convention. The consultation is scheduled to run until April 21, 2015.

On January 16, 2015, Switzerland and Italy reached an agreement in principle on future cooperation in tax matters. Subsequently, they signed a protocol of amendment to the double taxation agreement and a roadmap with parameters. The agreement is expected to improve relations between Switzerland and Italy with regard to financial and tax matters and simplify the regularization of untaxed assets before the automatic exchange of information is introduced. The protocol of amendment provides for an exchange of information upon request according to the OECD Standard on Exchange of Information, applicable from the date of signing of the protocol. In addition, Switzerland and Italy have reached consensus about a roadmap on bilateral topics, including the introduction of automatic exchange of information.

Resolution regime

On January 1, 2014, revisions of the Federal Act of 11 April 1889 on Debt Enforcement and Bankruptcy entered into effect. The revisions seek to facilitate the restructuring of companies and to strengthen creditors’ rights in provisional or definitive stays. In addition, it introduced certain procedural changes and a special treatment of continuing obligations (i.e., contracts such as leases, rentals or loans that contain a continuing and repeated exchange of money, goods or services), which in case of a provisional or definitive stay, may in the future be terminated at will by the debtor at any time with the permission of the receiver against payment of a compensation if a restructuring would otherwise be defeated.

The draft FMIA submitted by the Swiss Federal Council to the Swiss Parliament on September 3, 2014 also proposes to amend the Bank Law, seeking to subject parent companies of financial groups or conglomerates and certain unregulated companies of groups domiciled in Switzerland to the Swiss resolution regime that applies to banks. If enacted, Credit Suisse Group would, and certain of its unregulated Swiss-domiciled subsidiaries could, become subject to the Swiss bank resolution regime and the resolution authority of FINMA.

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 over several years 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).

Supervision

In July 2013, the Fed, the FDIC and the OCC released final capital rules that overhaul the existing US bank regulatory capital rules and implement the Basel III framework and certain provisions of the Dodd-Frank Act. The final rules are largely consistent with the Basel III framework published by the >>>Basel Committee on Banking Supervision (BCBS), although they diverge in several important respects due to requirements of the Dodd-Frank Act and do not address other, more recent aspects of the Basel III framework. On September 3, 2014, the Fed, the OCC and the FDIC issued a final rule to introduce the Basel III >>>liquidity coverage ratio (LCR) in the US, applicable to certain large US banking organizations. The final US LCR rule is generally consistent with the LCR published by the BCBS in

January 2013, but it is stricter in certain respects and would be phased in between January 1, 2015 and January 1, 2017. In future separate rulemakings, the Fed may apply the US LCR requirement to the US operations of certain large foreign banking organizations.

The Dodd-Frank Act also provides regulators with tools to adopt more stringent risk-based capital, leverage and liquidity requirements and other prudential standards, particularly for larger, relatively complex financial institutions. In February 2014, the Fed adopted a rule under the Dodd-Frank Act that creates a new framework for regulation of the US operations of foreign banking organizations. The rule generally requires Credit Suisse to create a single US intermediate holding company (IHC) to hold all of its US subsidiaries with limited exceptions; this requirement will not apply to Credit Suisse AG's New York branch (New York Branch), but it will apply to other Credit Suisse US entities. The IHC will be subject to local risk-based capital and leverage requirements. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the IHC and the New York Branch) will be subjected 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, stress testing,

and other prudential standards. The new framework's prudential requirements generally become effective in July 2016. Under proposals that remain under consideration, the IHC and the combined US operations of Credit Suisse would become subject to limits on credit exposures to any single counterparty, and the combined US operations of Credit Suisse would 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. On January 1, 2015, Credit Suisse filed an IHC implementation plan with the Fed that sets forth Credit Suisse's approach to come into compliance with the IHC requirements by the July 2016 deadline.

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 resolutions plans, due July 1, 2015. We are reviewing the specific comments the Fed and FDIC have provided on our 2013 plan, and we intend to work with the Fed and FDIC to identify appropriate actions to address them.

> 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.

On December 10, 2013, US regulators released the final version of the so-called "Volcker Rule", which limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds and to engage in certain types of proprietary trading. Compliance with the Volcker Rule is currently required by July 21, 2015, although the Fed has extended the compliance deadline to July 21, 2016 for investments in and relationships with private equity and hedge funds that were in place prior to December 31, 2013 and has indicated its intention to further extend the conformance deadline for such legacy investments and relationships until July 21, 2017. We continue to analyze the final rule and the Fed's extension order and assess how they affect our businesses, and are conducting an implementation program to come into compliance.

On March 22, 2013, the OCC, the Fed, and the FDIC jointly issued supervisory guidance on leveraged lending (Guidance). The goals of the Guidance include helping financial institutions properly evaluate and monitor underwritten credit risks in leveraged loans, understand the effect of changes in borrowers' enterprise values on credit portfolio quality, assess the sensitivity of future credit losses to changes in enterprise values, and to strengthen their risk management frameworks so that leveraged lending activities do not heighten risk in the banking system or the broader financial system. The Guidance generally applies to all banking organizations supervised by the OCC, FDIC and Fed, including national and state-chartered banks, savings associations, bank holding companies, and the US branches and agencies of foreign banks, including Credit Suisse. On November 7, 2014, the same agencies issued a frequently asked questions document regarding the applicability and implementation of the Guidance indicating that the standards for underwriting and arranging loan transactions that can be classified as leveraged lending may receive increased scrutiny. This heightened standard of scrutiny is negatively impacting Credit Suisse's ability to underwrite and originate leveraged lending transactions.

Derivative regulation

On January 16, 22 and 27, 2014, specified types of interest rate swaps and index >>>CDS were deemed "made available to trade" by CFTC-registered swap execution facilities (SEFs). As a result, since February 15, 21 and 26, 2014, those types of swaps have been required to be executed on a SEF or designated contract market, unless an exception or exemption applies.

On June 25, 2014, the SEC adopted final rules addressing the cross-border application of the Dodd-Frank Act's "security-based swap dealer" and "major security-based swap participant" definitions. While the rules do not impose any affirmative compliance requirements, they include the "US person" definition and certain other key elements of the SEC's framework for when the Dodd-Frank Act's security-based swap reforms apply to non-US dealers, such as Credit Suisse. In many respects, the SEC's rules are similar to parallel guidance issued by the CFTC in July 2013. However, the SEC did not address the treatment of swaps between a non-US dealer and non-US counterparty that involve US personnel, an issue of particular importance to Credit Suisse. As a result, the overall impact of the SEC's security-based swap reforms on Credit Suisse continues to depend on future SEC rulemakings. In addition, the SEC's implementation of the derivatives provisions of the Dodd-Frank Act is expected to continue during 2015. On February 11, 2015, the SEC published the texts of 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 not occur until 2016.

On September 3, 2014, US banking regulators re-proposed margin rules for non-cleared swaps and security-based swaps entered into by swap dealers, security-based swap dealers, major swap participants and major security-based swap participants that are banks. On September 18, 2014, the CFTC likewise re-proposed margin rules for non-cleared swaps entered into by swap dealers and major swap participants that are not banks. Under the re-proposals, Credit Suisse International (CSI) and Credit Suisse Securities (Europe) Limited (CSSEL), which have registered with

the CFTC as swap dealers, would be required to collect and post initial and variation margin for non-cleared swaps and security-based swaps with US counterparties and prohibited from re-using initial margin. These margin requirements would 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 security-based swaps. While the two re-proposals are intended to align with a framework recently established by the BCBS and the International Organization of Securities Commissions and a recent proposal by European supervisory agencies, differences in the scope of products and entities covered by the various proposals could impair the ability of CSI and CSSEL to engage effectively in cross-border derivatives activities. The re-proposals also would apply margin requirements to many inter-affiliate transactions, which could prevent CSI and CSSEL from engaging in certain risk management activities. The two re-proposals would follow a phased implementation schedule, with (i) variation margin requirements coming into effect on December 1, 2015, and (ii) initial margin requirements phasing in annually for different counterparties from December 1, 2015 until December 1, 2019, depending on the transactional volume of the counterparty and its affiliates during the preceding June, July and August.
On September 16, 2014, the US District Court for the District of Columbia ruled against a lawsuit brought by several US financial trade associations challenging July 2013 guidance by the CFTC regarding the cross-border application of its rules to swap dealers, such as CSI and CSSEL. Under the court's ruling, the CFTC's rules and guidance remain in effect, but the court directed the CFTC to conduct a cost-benefit analysis of some of the rules covered by the guidance. The court indicated that it did not expect this cost-benefit analysis to alter how the CFTC applies its rules. Therefore, significant changes to the CFTC's cross-border framework are not anticipated to result from the lawsuit. Nevertheless, the CFTC has received and is considering industry comments on certain aspects of the cross-border guidance that was the subject of the lawsuit and may yet modify the guidance.
On November 14, 2014, CFTC issued a no-action letter that extends from December 31, 2014 until September 30, 2015 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 24, 2014, the CFTC issued a no-action letter that extends from December 1, 2014 until December 1, 2015 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 this relief without modifications to the CFTC's guidance and without permitting substituted compliance with the EMIR reporting 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.
Securitization
On October 21 and 22, 2014, US federal regulators adopted a joint final rule requiring sponsors of asset-backed securitization transactions to retain 5% of the credit risk of the assets subject of the securitization. The final rule will take effect (i) for >>>RMBS transactions, on December 24, 2015 and (ii) for other securitization transactions, on December 24, 2016. The specific impact of the final rule on different ABS markets is uncertain and will vary, and certain ABS markets may result in fewer issuances or reduced liquidity, or both, and there may in certain markets be an impact on the assets acquired by securitizations.
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
With effect from January 1, 2014, the Capital Requirement Directive IV and Capital Requirements Regulation (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 UK's Prudential Regulation Authority (PRA) of certain models with respect to regulatory capital requirements of our UK subsidiaries.

On January 29, 2014, the European Commission (EC) published a draft Regulation on Structural Measures Improving the Resilience of EU Banks and Transparency of the Financial Sector which, if enacted, would introduce certain structural measures designed to reduce the risk and complexity of large banks in the EU. It is proposed that the measures would apply to EU banks which qualify as global systemically important institutions, or which have for a period of three consecutive years (i) total assets of at least EUR 30 billion, and (ii) trading activities amounting to at least EUR 70 billion or 10% of their total assets. These banks would be prohibited from engaging in proprietary trading in financial instruments and commodities and would become subject to anti-avoidance rules prohibiting certain transactions with the shadow banking sector. In addition, they may be required by their regulator to separate certain trading activities involving increased risks from their deposit-taking, lending and other business activities. The final text of the draft regulation is not expected to be adopted before June 2015.

On July 22, 2013, the Alternative Investment Fund Managers Directive (AIFMD) entered into effect. The AIFMD establishes a comprehensive regulatory and supervisory framework for alternative investment fund managers (AIFMs) managing and/or marketing alternative investment funds (AIFs) in the EU. The AIFMD imposes various substantive requirements to authorized AIFMs, including increased transparency towards investors and regulators, and allows authorized AIFMs to market AIFs to professional investors throughout the EU under an "EU passport". The EU passport has been made available to authorized EU AIFMs since July 2013 and, subject to European Securities and Markets Authority's (ESMA) and EC's positive opinion, is expected to be made available to authorized non-EU AIFMs from late 2015. In the meantime (and until at least 2018), non-EU AIFMs may continue to market within the EU under the private placement regimes of the individual member states subject to complying with certain minimum requirements imposed by the AIFMD and any additional requirements that individual member states may impose. The AIFMD also imposes a new, strict depositary regime affecting the manner in which prime brokers may provide custody services to fund managers. Although many member states have now implemented the AIFMD, a number of member states did not meet the transposition deadline of July 22, 2013. As clarified by ESMA, for EU AIFMs authorized under the AIFMD in a member state that has transposed the AIFMD, the passport system should be available even in a member state that has not transposed the AIFMD into national law. EU AIFMs established in EU member states that have not yet transposed the AIFMD cannot rely on the marketing and management passport in other member states. In December 2014, ESMA launched a consultation seeking views on the functioning of the AIFMD passporting regime applicable to EU AIFMs and on the functioning of the national private placement regimes applicable to non-EU AIFMs and non-EU AIFs. This consultation will enable ESMA to determine whether or not to extend the AIFMD passporting regime to non-EU AIFMs and non-EU AIFs.

Derivative regulation

In March 2013, certain of the requirements of EMIR came into effect while others will be phased in. EMIR requires that certain standardized OTC derivatives contracts be centrally cleared and, where OTC transactions are not subject to central clearing, specified techniques are employed to monitor, measure and mitigate the operational and counterparty risks presented by those transactions. These risk mitigation techniques include trade confirmation, robust portfolio reconciliation and portfolio compression processes, exchange of initial and variation margins, and the daily mark-to-market valuation of trades. From February 12, 2014, EU counterparties subject to EMIR are required to report any derivative contract to a trade repository that is authorized or recognized under EMIR. ESMA submitted final draft regulatory technical standards for central clearing of interest rate swaps to the EC in October 2014 and the EC indicated that it will endorse those regulatory technical standards subject to certain amendments which are not supported by ESMA. It is expected that the first clearing obligations will take effect during the course of 2015.

A central counterparty (CCP) established in a third country may apply to ESMA for recognition to provide clearing services in the EU. In order for the CCP to be recognized by ESMA, the EC must have determined the third country's regulatory and supervisory arrangements for CCPs, and the third country's recognition regime of CCPs authorized out of its jurisdiction, to be equivalent to the requirements laid down in EMIR. The effect of being deemed "equivalent" is that the third country CCPs will be deemed to have fulfilled the requirements of EMIR by applying the provisions of the equivalent third country regime. The EC adopted first positive equivalence decisions for the regulatory regimes for CCPs in Australia, Hong Kong, Japan and Singapore on October 30, 2014.

Market abuse

On April 14, 2014, the Market Abuse Directive II legislative package was formally adopted by the Council of the EU. This legislative package includes the Market Abuse Regulation (MAR) and the Directive on Criminal Sanctions for Insider Dealing and Market Manipulation (CSMAD). MAR will replace the existing Market Abuse Directive, and will be complemented by CSMAD, which introduces minimum rules on criminal offenses and criminal sanctions for market abuse. MAR proposals include measures to extend the market abuse regime to new markets such as multilateral trading facilities, organized trading facilities and over-the-counter (OTC) financial instruments. It also extends the market abuse regime to spot commodity contracts related to derivative transactions. The legislative package applies from July 3, 2016.

Tax

In January 2013, a group of eleven EU member states (Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) proposed to adopt a financial transaction tax (FTT) applicable only for those countries under an enhanced cooperation scheme, as a proposed EU wide FTT was unsuccessful. 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. The 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. A financial institution may be, or be deemed to be, "established" in a participating member state in a broad range of circumstances, including (a) by transacting with a person established in a participating member state or (b) where the relevant financial instrument is issued in a participating member state. To become effective, the proposed FTT directive will require unanimous agreement of at least nine participating member states. In May 2014, a joint statement by ministers of the participating member states (excluding Slovenia) proposed "progressive implementation" of the FTT, with the initial form applying the tax only to transactions in shares and some derivatives. The

32

FTT proposal remains subject to negotiation among the participating member states and has been the subject of legal challenge. It may therefore be altered significantly prior to any implementation, the timing of which remains unclear. 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. January 1, 2016 is the target deadline for implementation, with further rollout in 2017, although it may be operationally difficult for the first taxes to be collected prior to 2019. 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.

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 rule for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency.

Swiss banks are also required to maintain a specified liquidity standard pursuant to the Liquidity Ordinance (Liquidity Ordinance), which was adopted by the Swiss Federal Council in November 2012 and 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 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 have been adopted by the Swiss Federal Council on June 25, 2014 and entered into effect on January 1, 2015. Under the revised Liquidity Ordinance, systemically relevant banks like us are subject to an initial minimum LCR requirement of 100% beginning in 2015.

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. 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 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 bank’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, it would have discretion to take decisive actions, including (i) transferring the bank’s assets 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 48 hours) the termination of, and the exercise of rights to terminate relating to, financial contracts to which the bank is a party, (iii) converting the bank’s debt into equity (a “debt-to-equity swap”), and/or (iv) partially or fully writing off the bank’s obligations (a “haircut”).

Prior to any debt-to equity swap or haircut, outstanding equity capital and debt instruments issued by Credit Suisse AG that are part of its regulatory capital (including the bank’s 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 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 banks such as Credit Suisse 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 Fed 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.
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.
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.
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, although it is currently unclear if this requirement will apply to foreign private issuers, like the Group.
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 and internal controls. It is anticipated that the CFTC will in 2015 finalize rules related to capital and margin 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 2015. 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 Foreign Financial Institutions (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 automatic exchange of information 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. To finance a resolution under this new regime, the FDIC may borrow funds from the US Treasury, which must be repaid from the proceeds of the resolution. If such proceeds are insufficient to repay the US Treasury in full, the FDIC is required to assess other large financial institutions, including those that have USD 50 billion or more in total

consolidated assets, such as us, in an amount sufficient to repay all of the funds borrowed from the US Treasury in connection with the liquidation under the Orderly Liquidation Authority. In addition, in 2011 the Fed and the FDIC approved final rules to implement the resolution plan requirement in the Dodd-Frank Act, which 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 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 European Banking Authority, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority.
The CRD IV came into force on January 1, 2014. The CRD IV implemented in various EU countries, including the UK, the Basel III capital framework for banking groups operating in the EU. The CRD IV wholly replaced the current Capital Requirements Directive, which implemented the Basel II capital framework. The CRD IV creates a single harmonized 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 MiFID II and the Markets in Financial Instruments Regulation (MIFIR), which entered into force on July 2, 2014 and will apply as from January 3, 2017, with a few exceptions. 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 reporting requirements to a wide range of equity, 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 significant market distortion that high frequency and algorithmic trading could bring about. ESMA provided technical advice to the EC on MiFID II and MIFIR in December 2014 and is expected to publish final regulatory technical standards by mid-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.
Resolution regime
The BRRD, which entered into force on July 2, 2014, establishes a framework for the recovery and resolution of credit institutions and investment firms. The Directive 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. The BRRD also requires banks to hold a certain amount of bail-inable debt at both individual and consolidated levels from 2016. 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 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 a board to assess the likelihood of bank failure and prepare for bank resolution. It will apply from January 1, 2016, although certain provisions are already applicable.
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 Financial Services and Markets Act 2000 (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 Financial Conduct Authority (FCA), which regulates markets, the conduct of business of all financial firms, and the prudential regulation of firms not regulated by the PRA. In addition, the Financial Policy Committee of the Bank of England 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.

The PRA has implemented the requirements of CRD IV, which replaced the current CRD as a whole, 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. Secondary legislation to fully implement the Banking Reform Act is expected to be completed by May 2015. Banks are expected to be required to comply with the ring-fencing requirements by 2019. However, it is expected that our Private Banking & Wealth Management business 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 includes 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

Since January 1, 2011, there has been a UK bank levy attributable to the UK operations of large banks, with applicable rates varying over time. In 2014, the UK government considered introducing changes to how the UK bank levy would be charged from January 1, 2015. However, after various discussions, the UK government decided not to proceed with the proposed changes to the charging mechanism.

In the Autumn Statement, the UK Chancellor of the Exchequer announced on December 3, 2014 that the UK government is considering introducing a bank loss-relief restriction which may restrict the extent to which certain Credit Suisse UK entities can use historic losses to offset profits for tax purposes from April 1, 2015.

Resolution regime

The PRA published a consultation paper on the BRRD's implementation in the UK in July 2014. This consultation was followed by a policy statement with a summary of feedback, final rules and updated supervisory statements issued by the PRA on January 16, 2015. In order to implement the BRRD in the UK, amendments were made to UK primary legislation including the Banking Act 2009, the Financial Services and Markets Act 2000 and the Insolvency Act 1986. The majority of these final rules have come into force. The PRA/FCA's rules on contractual recognition of bail-in will come into force on January 1, 2016, although for unsecured debt instruments the requirements were implemented on February 19, 2015.

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 businesses, particularly our Investment Banking business. We 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, 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. 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 executing our client-focused, capital-efficient strategy in 2014, 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 and elsewhere around the world. The recovery from the economic crisis of 2008 and 2009

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continues to be sluggish in several key developed markets. Additionally, the European sovereign debt crisis, as well as concerns over US debt levels and the federal budget process that led to the downgrade of US sovereign debt in 2011 and the temporary shutdown of many federal governmental operations in 2013, have not been permanently resolved. 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, recent events in Greece have led to renewed concerns about its economic and financial stability and the effects that it could have on the eurozone. Continued concern about European economies 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, particularly the recent significant decrease in energy prices, European stagnation and renewed concern over Greece's position in the eurozone have affected financial markets and the economy. In recent years, the low interest rate environment, including current negative short-term interest rates in our home market, has adversely affected our net interest income and the value of our trading and non-trading fixed income portfolios. 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.

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 Private Banking & Wealth Management division's results of operations 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, 2014, our real estate loans (as reported to the SNB) totaled approximately CHF 146 billion. We also securitize and trade in commercial and residential real estate and real estate-related whole loans, mortgages, and other real estate and commercial assets and products, including >>>commercial mortgage-backed securities and >>>RMBS. Our real estate-related businesses and risk exposures could continue to 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 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 18 – 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.
We have experienced in the past, and may in the future experience, competitive pressure to assume longer-term credit risk, extend credit against less liquid collateral and price derivative instruments more aggressively based on the credit risks that we take. We expect our capital and liquidity requirements, and those of the financial services industry, to increase as a result of these risks.
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 2014 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 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 contractual obligations for information on our transactions with and commitments to SPEs.

Cross-border and CURRENCY exchange risk

Cross-border 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

As a global financial services company doing business in emerging markets, we are exposed to economic instability in emerging market 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 have experienced and may continue to experience severe economic and financial disruptions. 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 2014. 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.

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. Had the SNB taken this action at the beginning of 2014, our 2014 results would have been adversely effected. Although we are implementing a number of measures designed to offset the impact of recent exchange rate fluctuations on our results of operations, the continuing strength and further appreciation of the Swiss franc could have a material adverse impact on our results.

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 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 “rogue traders” 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 are increasing.

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 38 – 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 February 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, recently 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, 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 EMIR and MiFID II in a timely manner, Swiss banks, including us, may be limited from participating in businesses regulated by such laws. Finally, new total loss-absorbing capacity requirements may increase our funding costs or limit the availability of funding.

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 2015 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 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. These broad powers include the power to cancel Credit Suisse AG's outstanding equity (which currently is Credit Suisse Group AG's primary asset), convert debt instruments and other liabilities of Credit Suisse AG into equity and cancel such liabilities in whole or in part. As of the date hereof, FINMA's broad resolution powers apply only to duly licensed banks in Switzerland such as Credit Suisse AG, and not to a parent company of a financial group such as Credit Suisse Group AG. However, a proposed amendment to the Swiss banking laws would extend the scope of the Swiss bank resolution regime to Swiss parent companies of financial groups, such as Credit Suisse Group AG, and certain other unregulated Swiss-domiciled companies belonging to a financial group. It is not possible to predict whether or when such amendment will be enacted, what final form it would take and what effect it could have on shareholders or creditors of Credit Suisse Group AG or Credit Suisse Group AG generally. However, if the Swiss banking laws were amended so that the same resolution regime that currently applies to Credit Suisse AG were to apply to Credit Suisse Group AG, FINMA would be able to exercise its resolution powers thereunder to, among other things, cancel Credit Suisse Group AG's outstanding equity, convert debt instruments and other liabilities of Credit Suisse Group AG into equity and cancel such liabilities in whole or in part in restructuring proceedings.

> 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.

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. 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 Wealth Management Clients business.

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 public sector capital support, to prevent us from becoming insolvent. We have 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 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 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. Although we expect the increasing consolidation and changes in our industry to offer

opportunities, 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 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, new limits on the amount and form of executive compensation imposed by recent 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, which 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.
Risks relating to our strategy
We may not achieve all of the expected benefits of our strategic initiatives
In light of increasing regulatory and capital requirements and continued challenging market and economic conditions, to optimize our use of capital and improve our cost structure we have continued to adapt our client-focused, capital-efficient strategy and have implemented new cost-savings measures while decreasing the size of our balance sheet and reducing our >>>risk-weighted assets. In the fourth quarter of 2013, we created non-strategic units within our Investment Banking and Private Banking & Wealth Management divisions and separated non-strategic items in the Corporate Center to further accelerate our reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on our strategic businesses and growth 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 this report, could limit our ability to achieve some or all of the expected benefits of these initiatives.
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 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 program is designed to meet developing and future regulatory requirements. Subject to further analysis and approval by >>>FINMA and other regulators, implementation of the program is underway, with a number of key components expected to be implemented throughout 2015 and 2016. 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 – Information and developments for further information on our legal entity structure.

Operating and financial review
Operating environment
Credit Suisse
Core Results
Private Banking & Wealth Management
Investment Banking
Corporate Center
Assets under management
Critical accounting estimates

Operating environment

While in 2014 economic conditions improved in the US, growth remained weak in the eurozone. Equity markets ended the year higher. Interest rates remained low. Commodity prices decreased significantly, driven by lower energy prices. The US dollar appreciated against all major currencies in 2014.

Economic environment

The year was marked by solid US economic growth following signs of softening in the first quarter. Unemployment continued its declining trend and inflationary pressure remained largely absent. The steep decline in energy prices late in the year caused headline inflation metrics to recede markedly. Economic growth in the eurozone remained weak, impacted by rising uncertainty and geopolitical tensions weighing on the economies. While a recession was avoided in Europe, the risk of deflation in certain eurozone countries increased sharply. Japan's economy fell into recession following the consumption tax increase in April. Among major emerging markets, economic growth in Brazil, China and Russia slowed down to varying degrees while India's economy reported higher growth rates.

Throughout 2014, the US Federal Reserve (Fed) steadily reduced its asset purchase program, fully ending it by the end of October. In contrast, the European Central Bank (ECB) cut its policy rate to 0.05%, introduced a negative deposit rate and a purchase program for private sector assets, and injected new liquidity into the banking system. In December 2014, the Swiss National Bank (SNB) announced a negative interest rate in order to make Swiss franc deposits less attractive. The Bank of Japan (BoJ) continued its asset purchase program and announced a significant increase in October. In emerging markets, China's central bank lowered its policy rate towards the end of the year, while India's central bank kept its stable throughout 2014. Brazil's central bank tightened monetary policy following elevated inflation pressure and Russia's central bank increased interest rates significantly in the second half following a period of intense selling pressure on the ruble.

Equity markets increased more than 9% in 2014, despite the uncertainties arising from the sell-off in oil markets in the fourth quarter. US equities benefited from strong macroeconomic momentum throughout the year, ending with a double-digit increase. European equities faced a less favorable economic environment and uncertainties surrounding the anticipated ECB actions also weighed on them. Japanese equities benefited from the BoJ's expansionary monetary policy and ended 2014 among the best performing regions. Emerging markets, which were mainly impacted by geopolitical tensions, had a weaker performance. Equity market volatility, as indicated by the Chicago Board Options Exchange Market Volatility Index (VIX), increased in the second half of the year (refer to the charts "Equity markets"). The Credit Suisse Hedge Fund Index increased 4.1% in 2014.

Most fixed income assets delivered a strong performance in 2014. This was led by long-dated benchmark government bonds, which particularly benefited from the decline in inflation expectations and continued central bank easing measures in the eurozone and Japan. While eurozone government bonds, particularly those of the periphery (with the exception of Greece), outperformed, Japanese government bonds lagged the rest of the government bonds in developed markets. With the long-end declining more than the short-end, yield curves flattened in all major currencies (refer to the chart "Yield curves"). In light of deflationary pressures, inflation-linked bonds underperformed nominal government bonds. Credit spreads widened since the end of June within a narrow band (refer to the chart "Credit spreads"). Weakness in the energy sector particularly weighed on the US high yield market and also negatively impacted the performance of emerging market hard currency bonds. Sovereign bonds from net oil exporting countries experienced strong credit spread widening.

The US dollar appreciated against all major currencies in 2014, supported by the solid economic growth in the US and market expectations of higher US interest rates. Easing of monetary policy in the eurozone helped to weaken the euro against the US dollar. The Japanese yen also weakened against the US dollar as the BoJ pursued its expansionary monetary policy. The SNB maintained its minimum exchange rate for the euro against the Swiss franc at 1.20 in 2014. On January 15, 2015, the SNB decided to discontinue the minimum exchange rate of CHF 1.20 per euro and continued to lower short-term interest rates. These actions dramatically altered the market environment for a number of Swiss companies, which typically incur the majority of their expenses in Swiss francs, while they generate a large proportion of their revenues in other currencies. Commodity currencies, such as the Australian and Canadian dollars and the Russian ruble, depreciated as prices of commodities, particularly oil, declined sharply in the second half of 2014.

Commodities had a challenging 2014, with benchmark indices losing significant ground towards year-end. Initial weather-related advances in agricultural markets were followed by gains in metals and energy segments through the second quarter of 2014. The trend turned during the second half of the year when global demand began to decrease while supplies continued to grow firmly. Energy markets in particular witnessed the sharpest decrease since the global financial crisis as energy prices lost more than 40% in 2014. The Credit Suisse Commodities Benchmark decreased 26% for the year, mainly due to energy prices. Gold markets had a less turbulent year, but prices ended 1% lower due to lack of investor demand.

Market volumes (growth in % year on year)

2014	Global	Europe
Equity trading volume [1]	17	19
Announced mergers and acquisitions [2]	27	21
Completed mergers and acquisitions [2]	7	(11)
Equity underwriting [2]	18	62
Debt underwriting [2]	(1)	3
Syndicated lending - investment-grade [2]	20	–

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

Sector environment

The banking sector was influenced by central bank measures while it continued to transition to new regulatory requirements. Global banks took significant steps to restructure businesses and decrease costs while also taking measures to increase capital and liquidity ratios. North American bank stocks outperformed global equity indices and ended the year 13.3% higher. European bank stocks finished the year 0.4% lower (refer to the charts “Equity markets”).

In private banking, clients maintained a cautious investment stance, with cash deposits remaining high despite ongoing low or falling interest rates. Global net new asset trends in wealth management remained positive. In Switzerland, concerns about a real estate market correction and its impact on Swiss banking remained pronounced, with the SNB reiterating concerns about the imbalances in mortgage and real estate markets. 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 2013, particularly in the fourth quarter of 2014. US fixed income volumes decreased compared to 2013, driven by weaker mortgage-backed and government volumes. Compared to 2013, global completed mergers and acquisitions (M&A) volumes increased 7%, but were negatively impacted by lower volumes in Europe which decreased 11%. Global announced M&A volumes rose 27%. Global equity underwriting volumes increased 18%, driven by a 62% increase in Europe, while global debt underwriting volumes decreased slightly compared to 2013.

50

Credit Suisse

In 2014, we recorded net income attributable to shareholders of CHF 1,875 million. Diluted earnings per share from continuing operations were CHF 1.01 and return on equity attributable to shareholders was 4.4%.

As of the end of 2014, our Basel III CET1 ratio was 14.9% and 10.1% on a look-through basis. Our risk-weighted assets increased 6% compared to 2013 to CHF 291.4 billion.

Results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net interest income	9,034	8,115	7,143	11	14
Commissions and fees	13,051	13,226	12,724	(1)	4
Trading revenues	2,026	2,739	1,196	(26)	129
Other revenues	2,131	1,776	2,548	20	(30)
Net revenues	**26,242**	**25,856**	**23,611**	1	10
Provision for credit losses	**186**	**167**	**170**	11	(2)
Compensation and benefits	11,334	11,256	12,303	1	(9)
General and administrative expenses	9,534	8,599	7,246	11	19
Commission expenses	1,561	1,738	1,702	(10)	2
Total other operating expenses	11,095	10,337	8,948	7	16
Total operating expenses	**22,429**	**21,593**	**21,251**	4	2
Income from continuing operations before taxes	**3,627**	**4,096**	**2,190**	(11)	87
Income tax expense	1,405	1,276	465	10	174
Income from continuing operations	**2,222**	**2,820**	**1,725**	(21)	63
Income/(loss) from discontinued operations	102	145	(40)	(30)	–
Net income	**2,324**	**2,965**	**1,685**	(22)	76
Net income attributable to noncontrolling interests	449	639	336	(30)	90
Net income/(loss) attributable to shareholders	**1,875**	**2,326**	**1,349**	(19)	72
of which from continuing operations	1,773	2,181	1,389	(19)	57
of which from discontinued operations	102	145	(40)	(30)	–
Earnings per share (CHF)					
Basic earnings per share from continuing operations	1.02	1.14	0.82	(11)	39
Basic earnings per share	1.08	1.22	0.79	(11)	54
Diluted earnings per share from continuing operations	1.01	1.14	0.82	(11)	39
Diluted earnings per share	1.07	1.22	0.79	(12)	54
Return on equity (%)					
Return on equity attributable to shareholders	4.4	5.7	3.9	–	–
Return on tangible equity attributable to shareholders [1]	5.4	7.2	5.2	–	–
Number of employees (full-time equivalents)					
Number of employees	45,800	46,000	47,400	0	(3)

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.

51

Credit Suisse and Core Results

in	Core Results 2014	2013	2012	Noncontrolling interests without SEI 2014	2013	2012	Credit Suisse 2014	2013	2012
Statements of operations (CHF million)									
Net revenues	**25,815**	**25,217**	**23,251**	**427**	**639**	**360**	**26,242**	**25,856**	**23,611**
Provision for credit losses	**186**	**167**	**170**	**0**	**0**	**0**	**186**	**167**	**170**
Compensation and benefits	11,310	11,221	12,267	24	35	36	11,334	11,256	12,303
General and administrative expenses	9,526	8,587	7,224	8	12	22	9,534	8,599	7,246
Commission expenses	1,561	1,738	1,702	0	0	0	1,561	1,738	1,702
Total other operating expenses	11,087	10,325	8,926	8	12	22	11,095	10,337	8,948
Total operating expenses	**22,397**	**21,546**	**21,193**	**32**	**47**	**58**	**22,429**	**21,593**	**21,251**
Income from continuing operations before taxes	**3,232**	**3,504**	**1,888**	**395**	**592**	**302**	**3,627**	**4,096**	**2,190**
Income tax expense	1,405	1,276	465	0	0	0	1,405	1,276	465
Income from continuing operations	**1,827**	**2,228**	**1,423**	**395**	**592**	**302**	**2,222**	**2,820**	**1,725**
Income/(loss) from discontinued operations	102	145	(40)	0	0	0	102	145	(40)
Net income	**1,929**	**2,373**	**1,383**	**395**	**592**	**302**	**2,324**	**2,965**	**1,685**
Net income attributable to noncontrolling interests	54	47	34	395	592	302	449	639	336
Net income attributable to shareholders	**1,875**	**2,326**	**1,349**	**0**	**0**	**0**	**1,875**	**2,326**	**1,349**
Statement of operations metrics (%)									
Cost/income ratio	86.8	85.4	91.1	–	–	–	85.5	83.5	90.0
Pre-tax income margin	12.5	13.9	8.1	–	–	–	13.8	15.8	9.3
Effective tax rate	43.5	36.4	24.6	–	–	–	38.7	31.2	21.2
Net income margin [1]	7.3	9.2	5.8	–	–	–	7.1	9.0	5.7

1
Based on amounts attributable to shareholders.

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 Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two 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 Private Banking & Wealth Management, financing vehicles of the Group and hedging activities relating to share-based compensation awards. Core Results also includes 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 40 – 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	Banking (in the Swiss canton of Aargau)
BANK-now	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

52

Comparison of consolidated statements of operations

			Group			Bank
in	2014	2013	2012	2014	2013	2012
Statements of operations (CHF million)						
Net revenues	**26,242**	**25,856**	**23,611**	**25,589**	**25,314**	**22,976**
Total operating expenses	**22,429**	**21,593**	**21,251**	**22,503**	**21,567**	**21,109**
Income from continuing operations before taxes	**3,627**	**4,096**	**2,190**	**2,961**	**3,654**	**1,779**
Income tax expense	1,405	1,276	465	1,299	1,170	365
Income from continuing operations	**2,222**	**2,820**	**1,725**	**1,662**	**2,484**	**1,414**
Income/(loss) from discontinued operations	102	145	(40)	102	145	(40)
Net income	**2,324**	**2,965**	**1,685**	**1,764**	**2,629**	**1,374**
Net income attributable to noncontrolling interests	449	639	336	445	669	333
Net income attributable to shareholders	**1,875**	**2,326**	**1,349**	**1,319**	**1,960**	**1,041**

Comparison of consolidated balance sheets

		Group		Bank
end of	2014	2013	2014	2013
Balance sheet statistics (CHF million)				
Total assets	921,462	872,806	904,849	854,429
Total liabilities	876,461	825,640	860,208	810,797

Capitalization and indebtedness

		Group		Bank
end of	2014	2013	2014	2013
Capitalization and indebtedness (CHF million)				
Due to banks	26,009	23,108	26,506	23,147
Customer deposits	369,058	333,089	357,569	321,678
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	70,119	94,032	70,119	94,032
Long-term debt	177,898	130,042	172,947	126,741
Other liabilities	233,377	245,369	233,067	245,199
Total liabilities	**876,461**	**825,640**	**860,208**	**810,797**
Total equity	**45,001**	**47,166**	**44,641**	**43,632**
Total capitalization and indebtedness	**921,462**	**872,806**	**904,849**	**854,429**

Capital adequacy – Basel III

		Group		Bank
end of	2014	2013	2014	2013
Eligible capital (CHF million)				
Common equity tier 1 (CET1) capital	43,322	42,989	40,853	37,700
Total tier 1 capital	49,804	46,061	47,114	40,769
Total eligible capital	60,751	56,288	58,111	52,346
Capital ratios (%)				
CET1 ratio	14.9	15.7	14.4	14.3
Tier 1 ratio	17.1	16.8	16.6	15.4
Total capital ratio	20.8	20.6	20.5	19.8

Dividends of the Bank to the Group

end of	2014	2013
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 and 4,399,665,200 registered shares as of December 31, 2014 and 2013, respectively.

1
Dividends are determined in accordance with Swiss law and the Bank's articles of incorporation.
2
In each of 2012, 2011 and 2010, dividends per share issued were CHF 0.23.
3
Proposal of the Board of Directors to the annual general meeting of the Bank for a dividend of CHF 10 million.

Information and developments

Format of presentation and changes in reporting

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, the >>>Basel Committee on Banking Supervision >>>Basel III framework was implemented in Switzerland along with the Swiss >>>"Too Big to Fail" legislation and regulations thereunder. 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.

References to Swiss leverage exposure refer to the aggregate of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and >>>derivative add-ons.

> Refer to "Swiss leverage ratio" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Swiss capital metrics for further information.

Beginning in the second quarter of 2014, the majority of the balance sheet usage related to a portfolio of high-quality liquid assets previously recorded in the Corporate Center has been allocated to the business divisions. Prior periods have been restated for the related impact on assets and Swiss leverage exposures.

> Refer to "Swiss liquidity requirements" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management – Regulatory framework for further information.

Non-strategic units

In the fourth quarter of 2013, we created non-strategic units within our Private Banking & Wealth Management and Investment Banking divisions and separated non-strategic items in the Corporate Center to further accelerate our reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on our strategic businesses and growth initiatives. The results are disclosed separately within the divisional results and we have implemented a governance structure to accelerate position and expense reductions. We believe this reporting structure, which clearly delineates between strategic and non-strategic results, enhances the transparency of our financial disclosures while providing increased focus on our strategic businesses within the business divisions and on the Group level.

We decided to retain these non-strategic units within the divisions, rather than establishing a single non-strategic unit, so as to benefit from senior management's expertise and focus. The non-strategic units have separate management within each division and a clear governance structure through the establishment of a Non-Strategic Oversight Board. As a result, we expect that the establishment of these non-strategic units will drive further reductions in Swiss leverage exposure and >>>risk-weighted assets. It is also expected to free up capital for future growth in Private Banking & Wealth Management, accelerating a move towards a more balanced capital allocation between Investment Banking and Private Banking & Wealth Management, and to allow us to return capital to our shareholders.

Non-strategic activities and positions are defined as:

– activities with significant capital absorption under new regulations and returns below expectations;
– activities with significant leverage exposures identified for de-risking;
– activities no longer feasible or economically attractive under emerging regulatory frameworks;
– assets and liabilities of business activities we are winding down;
– infrastructure associated with activities deemed non-strategic or redundant; and
– other items reported in the Corporate Center, which we do not consider representative of our core performance.

> Refer to "Non-strategic results" in Private Banking & Wealth Management and Investment Banking and "Results overview" in Corporate Center for further information on non-strategic items.

Discontinued operations

The Private Banking & Wealth Management division completed the sale of Customized Fund Investment Group (CFIG) in January 2014 and the sale of the domestic private banking business booked in Germany to ABN AMRO in the third quarter 2014. These transactions qualify for discontinued operations treatment under US generally accepted accounting principles (US GAAP), and revenues and expenses of these businesses and the relevant gains on disposal are classified as discontinued operations in the Group's consolidated statements of operations. In the Private Banking & Wealth Management segment, the gains and expenses related to the business disposals are included in the segment's non-strategic results. The reclassification of the revenues and expenses from the segment results to discontinued operations for reporting at the Group level is effected through the Corporate Center. Prior periods for the Group's results have been restated to conform to the current presentation.

Significant litigation matters in 2014

In May 2014, we entered into a comprehensive and final settlement regarding all outstanding US cross-border matters, including agreements with the United States Department of Justice, the New York State Department of Financial Services, the Board of Governors of the Fed and, as announced in the first quarter 2014, the US Securities and Exchange Commission (SEC). The final settlement amount was USD 2,815 million (CHF 2,510 million). In prior periods, we had taken litigation provisions totaling CHF 892 million related to this matter. As a result, a pre-tax litigation settlement charge of CHF 1,618 million was recognized in the second quarter of 2014 in the non-strategic results of the Private Banking & Wealth Management division. The settlement included a guilty plea entered into by our Swiss banking entity, Credit Suisse AG.

In March 2014, we entered into an agreement with the Federal Housing Finance Agency (FHFA) to settle litigation claims related to the sale of approximately USD 16.6 billion of residential mortgage-backed securities between 2005 and 2007. Under the terms of the agreement, we paid USD 885 million to resolve all claims in two pending securities lawsuits filed by the FHFA against us. This settlement had no impact on our 2014 results as it was covered by provisions recorded in prior periods.

> Refer to "Note 38 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information on litigation.

Board of Directors and management changes

At our Annual General Meeting (AGM) in May 2014, shareholders elected Severin Schwan and Sebastian Thrun as new members of the Board of Directors. Walter B. Kielholz and Peter Brabeck-Letmathe, having reached the internal term limits, retired from the Board of Directors at the 2014 AGM. The Chairman, Urs Rohner, and the other existing members of the Board of Directors proposed for re-election were all elected for a further term of one year.

Effective October 17, 2014, Eric Varvel was appointed as Chairman Asia Pacific and Middle East and stepped down from the Executive Board and his position as joint head of the Investment Banking division. James L. Amine and Timothy P. O'Hara were appointed to the Executive Board to jointly lead the Investment Banking division with Gaël de Boissard. James L. Amine will continue to have responsibility for the investment banking department, while Timothy P. O'Hara will continue to head the equities business and his role as President and Chief Executive Officer (CEO) of Credit Suisse Securities USA remains unchanged. Gaël de Boissard will continue to head the fixed income business and his role as CEO of Europe, Middle East and Africa (EMEA) remains unchanged.

Effective October 17, 2014, Helman Sitohang assumed the role of CEO of Asia Pacific reporting directly to the Group CEO. He will continue to retain his role as head of Investment Banking for Asia Pacific.
On March 10, 2015, we announced that the Board of Directors has appointed Tidjane Thiam as the new CEO of the Group. He will take over this position from Brady W. Dougan, who will step down at the end of June 2015 after eight years as CEO of the Group. Tidjane Thiam currently is Group Chief Executive of Prudential plc, a London-based international financial services group with operations in the US, Asia, Europe and Latin America.
At the AGM on April 24, 2015, Jean-Daniel Gerber, Board member since 2012, and Anton van Rossum, Board member since 2005, will be stepping down from the Board, and the Board will propose Seraina Maag, President and CEO of EMEA for American International Group (AIG), for election as a new member to the Board.
Capital distribution proposal
Our Board of Directors will propose to the shareholders at the AGM on April 24, 2015 a distribution of CHF 0.70 per share out of reserves from capital contributions for the financial year 2014. 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.
Share issuances
We issued 11.0 million new Group shares in connection with share-based compensation awards in 2014.
> Refer to "Additional share information" in V – Consolidated financial statements – Credit Suisse Group – Note 25 – Accumulated other comprehensive income and additional share information for further information on share issuances.
Evolution of legal entity structure
It has been more than a year since we announced the program to evolve the Group's legal entity structure to meet developing and future regulatory requirements. The program has been prepared in discussion with the Swiss Financial Market Supervisory Authority FINMA (FINMA), our primary regulator, and will address regulations in Switzerland, the US and the UK with respect to future requirements for global recovery and resolution planning by systemically important 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 substantially less complex and more efficient operating infrastructure for the Group. Furthermore, Swiss banking law provides for the possibility of a limited reduction in capital requirements in the event of an improvement in resolvability which this program intends to deliver.
The key components of the program are:
– In Switzerland we continue the process of establishing a subsidiary for our Swiss-booked business, which is planned to become operational in 2016 pending regulatory approval. During 2015, we plan to apply for a Swiss banking license and to incorporate the new legal entity and register it with the Commercial Register of the Canton of Zurich. We expect that the new legal entity structure in Switzerland will not significantly impact either our current business proposition or our client servicing model;
– Our UK operations will remain the hub of our European investment banking business and we are progressing with our plan to consolidate our UK business into a single subsidiary. In 2014, we began to implement the infrastructure changes required to effectuate the consolidation;
– Our US-based businesses will be subject to the Fed rules for Enhanced Prudential Standards for Foreign Banking Organizations. On January 1, 2015, we filed a US Intermediate Holding Company (IHC) implementation plan with the Fed that sets forth our approach to come into compliance with the IHC requirements by the July 2016 deadline. It is anticipated that our US derivatives business will be transferred from Credit Suisse International to Credit Suisse Securities USA LLC;
– In Asia, we are enhancing the infrastructure in our Singapore branch to enable migration of the Asia Pacific derivatives businesses from Credit Suisse International. The transfer of these positions to the Singapore branch has begun and we plan to continue these migrations over the next two years;
– We intend to create a separately capitalized global infrastructure legal entity in Switzerland and a US subsidiary of the IHC, which will contain the Shared Services functions; and
– We expect to issue senior unsecured debt that may qualify for future capital treatment under >>>total loss-absorbing capacity (TLAC) rules from entities linked to (and guaranteed by) the Group holding company to facilitate a Single Point of Entry bail-in resolution strategy in 2015, subject to market conditions.

The program has been approved by the Board of Directors of the Group. It remains subject to final approval by FINMA and other regulators. Implementation of the program is underway, with a number of key components expected to be implemented throughout 2015 and 2016.

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, including human resources, legal and compliance, risk management and IT are provided by the Shared Services area. Shared Services 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 34 – 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 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 these products. 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 2014, 47% and 30% of our total assets and total liabilities, respectively, were measured at fair value. While the majority of our level 3 assets are recorded in Investment Banking, some are recorded in Private Banking & Wealth Management's Asset Management business, specifically certain private equity investments. Total assets recorded as level 3 increased by CHF 4.4 billion during 2014, primarily reflecting the foreign exchange translation impact, mainly in trading assets and loans, and realized and unrealized gains, primarily in trading assets, partially offset by net sales, primarily in other investments.

Our level 3 assets, excluding noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 35.5 billion, compared to CHF 29.8 billion as of the end of 2013. As of the end of 2014, these assets comprised 4% of total assets and 8% of total assets measured at fair value, both adjusted on the same basis, unchanged from 2013.

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.

Adoption of funding valuation adjustments

Credit Suisse adopted the application of >>>funding valuation adjustments (FVA) on uncollateralized derivatives in the fourth quarter of 2014 in its Investment Banking division. FVA also apply to collateralized derivatives where the collateral received cannot be used for funding purposes. The banking industry has increasingly moved towards this valuation methodology, which accounts for the funding costs of uncollateralized derivatives at their present value rather than accruing for these costs over the life of the derivatives. The one-time transitional charge at adoption recognized in the Investment Banking division was CHF 279 million in the fourth quarter of 2014.

Regulatory developments and proposals

Government leaders and regulators continued to focus on reform of the financial services industry, including enhanced capital, leverage and liquidity requirements, changes in compensation practices and measures designed to reduce systemic risk.

> Refer to "Regulation and supervision" in I – Information on the company for further information.

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, a non-GAAP financial measure, is calculated as the average of 10% of average risk-weighted assets and 2.4% of the average leverage exposure utilized by each division and the firm as a whole. 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.

58

Core Results

For 2014, net income attributable to shareholders was CHF 1,875 million. Net revenues were CHF 25,815 million and total operating expenses were CHF 22,397 million.

In our strategic businesses, we reported income from continuing operations before taxes of CHF 6,790 million and in our non-strategic businesses we reported a loss from continuing operations before taxes of CHF 3,558 million in 2014.

Results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net interest income	9,055	8,100	7,126	12	14
Commissions and fees	13,058	13,249	12,751	(1)	4
Trading revenues	2,007	2,750	1,162	(27)	137
Other revenues	1,695	1,118	2,212	52	(49)
Net revenues	**25,815**	**25,217**	**23,251**	2	8
of which strategic results	25,126	25,475	25,385	(1)	0
of which non-strategic results	689	(258)	(2,134)	–	(88)
Provision for credit losses	**186**	**167**	**170**	11	(2)
Compensation and benefits	11,310	11,221	12,267	1	(9)
General and administrative expenses	9,526	8,587	7,224	11	19
Commission expenses	1,561	1,738	1,702	(10)	2
Total other operating expenses	11,087	10,325	8,926	7	16
Total operating expenses	**22,397**	**21,546**	**21,193**	4	2
of which strategic results	18,184	18,211	18,962	0	(4)
of which non-strategic results	4,213	3,335	2,231	26	49
Income/(loss) from continuing operations before taxes	**3,232**	**3,504**	**1,888**	(8)	86
of which strategic results	6,790	7,173	6,295	(5)	14
of which non-strategic results	(3,558)	(3,669)	(4,407)	(3)	(17)
Income tax expense	1,405	1,276	465	10	174
Income from continuing operations	**1,827**	**2,228**	**1,423**	(18)	57
Income/(loss) from discontinued operations	102	145	(40)	(30)	–
Net income	**1,929**	**2,373**	**1,383**	(19)	72
Net income attributable to noncontrolling interests	54	47	34	15	38
Net income/(loss) attributable to shareholders	**1,875**	**2,326**	**1,349**	(19)	72
of which strategic results	4,962	5,095	4,803	(3)	6
of which non-strategic results	(3,087)	(2,769)	(3,454)	11	(20)
Statement of operations metrics (%)					
Return on regulatory capital [1]	8.1	8.9	–	–	–
Cost/income ratio	86.8	85.4	91.1	–	–
Pre-tax income margin	12.5	13.9	8.1	–	–
Effective tax rate	43.5	36.4	24.6	–	–
Net income margin [2]	7.3	9.2	5.8	–	–
Return on equity (%, annualized)					
Return on equity – strategic results	12.2	13.4	–	–	–
Number of employees (full-time equivalents)					
Number of employees	45,800	46,000	47,400	0	(3)

1

Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2014 and 27% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2
Based on amounts attributable to shareholders.
59

Strategic and non-strategic results

	Strategic results			Non-strategic results			Core Results		
in / end of	2014	2013	2012	2014	2013	2012	2014	2013	2012
Statements of operations (CHF million)									
Net revenues	**25,126**	**25,475**	**25,385**	**689**	**(258)**	**(2,134)**	**25,815**	**25,217**	**23,251**
Provision for credit losses	**152**	**91**	**128**	**34**	**76**	**42**	**186**	**167**	**170**
Compensation and benefits	10,550	10,447	11,142	760	774	1,125	11,310	11,221	12,267
Total other operating expenses	7,634	7,764	7,820	3,453	2,561	1,106	11,087	10,325	8,926
Total operating expenses	**18,184**	**18,211**	**18,962**	**4,213**	**3,335**	**2,231**	**22,397**	**21,546**	**21,193**
Income/(loss) from continuing operations before taxes	**6,790**	**7,173**	**6,295**	**(3,558)**	**(3,669)**	**(4,407)**	**3,232**	**3,504**	**1,888**
Income tax expense/(benefit)	1,774	2,031	1,458	(369)	(755)	(993)	1,405	1,276	465
Income/(loss) from continuing operations	**5,016**	**5,142**	**4,837**	**(3,189)**	**(2,914)**	**(3,414)**	**1,827**	**2,228**	**1,423**
Income/(loss) from discontinued operations	0	0	0	102	145	(40)	102	145	(40)
Net income/(loss)	**5,016**	**5,142**	**4,837**	**(3,087)**	**(2,769)**	**(3,454)**	**1,929**	**2,373**	**1,383**
Net income attributable to noncontrolling interests	54	47	34	0	0	0	54	47	34
Net income/(loss) attributable to shareholders	**4,962**	**5,095**	**4,803**	**(3,087)**	**(2,769)**	**(3,454)**	**1,875**	**2,326**	**1,349**
Balance sheet statistics (CHF billion)									
Risk-weighted assets – Basel III[1]	268,428	241,680	252,662	15,820	24,423	31,448	284,248	266,103	284,110
Total assets	887,450	821,607	860,136	32,791	47,575	60,038	920,241	869,182	920,174
Swiss leverage exposure	1,138,450	1,030,749	–	75,046	99,856	–	1,213,496	1,130,605	–

1
Represents risk-weighted assets on a fully phased-in "look-through" basis.

Results overview

Core Results include the results of our two segments, the Corporate Center and discontinued operations. Core Results exclude revenues and expenses in respect of noncontrolling interests in which we do not have significant economic interest (SEI).

Certain reclassifications have been made to prior periods to conform to the current presentation.

> Refer to "Format of presentation and changes in reporting" in Credit Suisse – Information and developments for further information.

Full-year 2014 results

In 2014, Core Results net income attributable to shareholders was CHF 1,875 million, down 19% compared to 2013, and net revenues of CHF 25,815 million increased 2% compared to 2013.

Strategic net revenues were stable at CHF 25,126 million compared to 2013, with slightly lower net revenues for Private Banking & Wealth Management and stable net revenues for Investment Banking. Strategic net revenues for Private Banking & Wealth Management mainly reflected lower net interest income and lower transaction- and performance-based revenues, partially offset by higher other revenues. Strategic net revenues for Investment Banking were stable, as higher results in our fixed income sales and trading and underwriting and advisory franchises were offset by lower results in equity sales and trading.

In our non-strategic businesses, net revenues of CHF 689 million in 2014 improved from negative net revenues of CHF 258 million in 2013. An improvement in Corporate Center mainly reflected fair value gains of CHF 545 million from movements in own credit spreads in 2014 compared to fair value losses from movements in own credit spreads of CHF 315 million in 2013 and gains on sales of real estate of CHF 414 million in 2014 compared to CHF 68 million in 2013. The improvement in Corporate Center was partially offset by a decrease in Private Banking & Wealth Management, primarily reflecting the winding-down of non-strategic operations during 2014, as well as lower gains from sales of businesses, and higher negative net revenues in Investment Banking, reflecting the recognition of >>>FVA of CHF 171 million, which was partially offset by better results and lower funding costs from proactive management of both our legacy debt instruments and trading assets.

Provision for credit losses of CHF 186 million reflected net provisions of CHF 123 million in Private Banking & Wealth Management and CHF 61 million in Investment Banking.

Total operating expenses of CHF 22,397 million increased 4% compared to 2013, primarily reflecting 11% higher general and administrative expenses. In our strategic businesses, total operating expenses were stable at CHF 18,184 million. In our non-strategic businesses, total operating expenses of CHF 4,213 million increased 26% compared to 2013, reflecting a 37% 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.

> Refer to “Note 38 – Litigation” in V – Consolidated financial statements – Credit Suisse Group for further information on litigation.

Strategic results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**25,126**	**25,475**	**25,385**	(1)	0
Provision for credit losses	**152**	**91**	**128**	67	(29)
Compensation and benefits	10,550	10,447	11,142	1	(6)
General and administrative expenses	6,128	6,098	6,199	0	(2)
Commission expenses	1,506	1,666	1,621	(10)	3
Total other operating expenses	7,634	7,764	7,820	(2)	(1)
Total operating expenses	**18,184**	**18,211**	**18,962**	0	(4)
Income from continuing operations before taxes	**6,790**	**7,173**	**6,295**	(5)	14
Income tax expense	1,774	2,031	1,458	(13)	39
Net income	**5,016**	**5,142**	**4,837**	(2)	6
Net income attributable to noncontrolling interests	54	47	34	15	38
Net income attributable to shareholders	**4,962**	**5,095**	**4,803**	(3)	6
Statement of operations metrics (%)					
Return on regulatory capital [1]	18.3	19.9	–	–	–
Cost/income ratio	72.4	71.5	74.7	–	–
Pre-tax income margin	27.0	28.2	24.8	–	–
Balance sheet statistics (CHF million)					
Risk-weighted assets – Basel III [2]	268,428	241,680	252,662	11	(4)
Total assets	887,450	821,607	860,136	8	(4)
Swiss leverage exposure	1,138,450	1,030,749	–	10	–

1
Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2014 and 29% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2
Represents risk-weighted assets on a fully phased-in "look-through" basis.

Core Results reporting by region

			in		% change
	2014	2013	2012	14 / 13	13 / 12
Net revenues (CHF million)					
Switzerland	6,750	7,224	7,400	(7)	(2)
EMEA	5,687	6,180	6,737	(8)	(8)
Americas	9,471	9,567	9,507	(1)	1
Asia Pacific	3,244	3,036	2,388	7	27
Corporate Center	663	(790)	(2,781)	–	(72)
Net revenues	**25,815**	**25,217**	**23,251**	2	8
Income/(loss) from continuing operations before taxes (CHF million)					
Switzerland	2,326	2,463	2,544	(6)	(3)
EMEA	364	641	872	(43)	(26)
Americas	360	1,085	2,512	(67)	(57)
Asia Pacific	868	770	(151)	13	–
Corporate Center	(686)	(1,455)	(3,889)	(53)	(63)
Income from continuing operations before taxes	**3,232**	**3,504**	**1,888**	(8)	86

A significant portion of our business requires inter-regional coordination in order to facilitate the needs of our clients. The methodology for allocating our results by region is dependent on management judgment. For Wealth Management Clients and Corporate & Institutional Clients, results are allocated based on the management reporting structure of our relationship managers and the region where the transaction is recorded. For Asset Management, results are allocated based on the location of the investment advisors and sales teams. For Investment Banking, trading results are allocated based on where the risk is primarily managed and fee-based results are allocated where the client is domiciled.

The **Core Results effective tax rate** was 43.5% in 2014, compared to 36.4% in 2013. The effective tax rate for full-year 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.

> Refer to “Note 27 – Tax” in V – Consolidated financial statements – Credit Suisse Group for further information.

Full-year 2013 results

In 2013, Core Results net income attributable to shareholders was CHF 2,326 million, up 72% compared to 2012, and net revenues of CHF 25,217 million increased 8% compared to 2012.

Strategic net revenues were stable at CHF 25,475 million compared to 2012, with stable net revenues for Private Banking & Wealth Management, reflecting higher transaction- and performance-based revenues and higher recurring commissions and fees offset by lower net interest income and other revenues. Strategic net revenues for Investment Banking were stable, reflecting decreased revenues in fixed income sales and trading and advisory revenues, offset by increased revenues in equity sales and trading and debt and equity underwriting.

In our non-strategic businesses, negative net revenues of CHF 258 million in 2013 improved from negative net revenues of CHF 2,134 million in 2012. An improvement in Corporate Center mainly reflected fair value losses of CHF 315 million from movements in own credit spreads in 2013 compared to fair value losses from movements in own credit spreads of CHF 2,939 million in 2012. Improved results in Investment Banking were driven by portfolio valuation gains and lower funding costs, while a decrease in Private Banking & Wealth Management reflected lower gains on sales of businesses and lower fee-based revenues resulting from those sales.

Provision for credit losses of CHF 167 million reflected net provisions of CHF 152 million in Private Banking & Wealth Management and CHF 13 million in Investment Banking.

Total operating expenses of CHF 21,546 million increased 2% compared to 2012, primarily reflecting 19% higher general and administrative expenses, partially offset by 9% lower compensation and benefits. In our strategic businesses, total operating expenses of CHF 18,211 million decreased 4% from 2012, mainly reflecting lower compensation and benefits, driven by lower deferred compensation expense from prior-year awards and lower salary expenses, reflecting lower headcount. In our non-strategic businesses, total operating expenses of CHF 3,335 million increased 49% from 2012, primarily reflecting higher general and administrative expenses, partially offset by a decrease in compensation and benefits. The increase in general and administrative expenses was primarily due to substantially higher litigation provisions in Investment Banking and Private Banking & Wealth Management. In 2013, we recorded provisions of CHF 1,223 million in connection with mortgage-related matters, including in connection with the agreement with the FHFA on March 21, 2014 to settle certain litigation relating to mortgage-backed securities, and CHF 600 million in connection with the US cross-border matters, including CHF 175 million in connection with the settlement with the SEC in February 2014.

The **Core Results effective tax rate** was 36.4% in 2013, compared to 24.6% in 2012. The effective tax rate for full-year 2013 was mainly impacted by the geographical mix of results, an increase and a reassessment in deferred tax balances in Switzerland and also reflected changes in valuation allowances against deferred tax assets mainly in the UK. In addition, the tax charge was negatively affected by the impact of the change in UK corporation tax from 23% to 20%. Overall, net deferred tax assets decreased CHF 1,181 million to CHF 5,791 million during 2013.

> Refer to “Note 27 – Tax” in V – Consolidated financial statements – Credit Suisse Group for further information.

Non-strategic results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**689**	**(258)**	**(2,134)**	–	(88)
Provision for credit losses	**34**	**76**	**42**	(55)	81
Compensation and benefits	760	774	1,125	(2)	(31)
Total other operating expenses	3,453	2,561	1,106	35	132
Total operating expenses	**4,213**	**3,335**	**2,231**	26	49
Loss from continuing operations before taxes	**(3,558)**	**(3,669)**	**(4,407)**	(3)	(17)
Income tax benefit	(369)	(755)	(993)	(51)	(24)
Loss from continuing operations	**(3,189)**	**(2,914)**	**(3,414)**	9	(15)
Income/(loss) from discontinued operations	102	145	(40)	(30)	–
Loss attributable to shareholders	**(3,087)**	**(2,769)**	**(3,454)**	11	(20)
Balance sheet statistics (CHF million)					
Risk-weighted assets – Basel III[1]	15,820	24,423	31,448	(35)	(22)
Total assets	32,791	47,575	60,038	(31)	(21)
Swiss leverage exposure	75,046	99,856	–	(25)	–

1
Represents risk-weighted assets on a fully phased-in "look-through" basis.

Information and developments

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 from 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.

> Refer to “Compensation” in IV – Corporate Governance and Compensation for further information.
> Refer to “Consolidated statements of changes in equity” and “Note 28 – 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 27 – Tax in V – Consolidated financial statements – Credit Suisse Group for further information.

Personnel

Headcount at the end of 2014 was 45,800, down 200 from the end of 2013. This reflected headcount reductions in connection with our cost efficiency initiatives in Investment Banking and Private Banking & Wealth Management, partially offset by graduate hiring and contractor employee conversion.

> Refer to “Overview” in IV – Corporate Governance and Compensation – Corporate Governance for additional information on personnel.

Overview of Core Results

	Private Banking & Wealth Management			Investment Banking			Corporate Center			
in / end of	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014
Statements of operations (CHF million)										
Net revenues	**12,637**	**13,442**	**13,474**	**12,515**	**12,565**	**12,558**	**663**	**(790)**	**(2,781)**	**25,815**
Provision for credit losses	**123**	**152**	**182**	**61**	**13**	**(12)**	**2**	**2**	**0**	**186**
Compensation and benefits	4,984	5,331	5,561	5,649	5,435	6,070	677	455	636	11,310
General and administrative expenses	4,768	3,914	3,209	4,090	4,477	3,551	668	196	464	9,526
Commission expenses	674	805	747	885	921	947	2	12	8	1,561
Total other operating expenses	5,442	4,719	3,956	4,975	5,398	4,498	670	208	472	11,087
Total operating expenses	**10,426**	**10,050**	**9,517**	**10,624**	**10,833**	**10,568**	**1,347**	**663**	**1,108**	**22,397**
Income/(loss) from continuing operations before taxes	**2,088**	**3,240**	**3,775**	**1,830**	**1,719**	**2,002**	**(686)**	**(1,455)**	**(3,889)**	**3,232**
Income tax expense/(benefit)	–	–	–	–	–	–	–	–	–	1,405
Income/(loss) from continuing operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,827**
Income/(loss) from discontinued operations	–	–	–	–	–	–	–	–	–	102
Net income/(loss)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,929**
Net income attributable to noncontrolling interests	–	–	–	–	–	–	–	–	–	54
Net income/(loss) attributable to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,875**
Statement of operations metrics (%)										
Return on regulatory capital	15.4	25.6	–	7.7	6.7	–	–	–	–	8.1 [2]
Cost/income ratio	82.5	74.8	70.6	84.9	86.2	84.2	–	–	–	86.8
Pre-tax income margin	16.5	24.1	28.0	14.6	13.7	15.9	–	–	–	12.5
Effective tax rate	–	–	–	–	–	–	–	–	–	43.5

Net income margin	–	–	–	–	–	–	–	–	–	7.3	
Balance sheet statistics (CHF million)											
Risk-weighted assets – Basel III[4]	108,261	95,507	96,665	159,815	155,290	170,855	16,172	15,306	16,590	284,248	26
Total assets	345,949	316,491	308,230	529,044	519,712	578,495	45,248	32,979	33,449	920,241	86
Swiss leverage exposure	380,602	347,784	–	785,836	744,220	–	47,058	38,601	–	1,213,496	1,13
Net loans	238,124	215,713	207,702	34,402	31,319	34,501	25	22	20	272,551	24
Goodwill	2,314	2,164	2,409	6,330	5,835	5,980	–	–	–	8,644	

1
Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontrolli
2
Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2014 and 27% in 2013 and capital allocated
leverage exposure.
3
Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2014 and 29% in 2013 and capital allocated
leverage exposure.
4
Represents risk-weighted assets on a fully phased-in "look-through" basis.

Cost savings and strategy implementation

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve our cost structure. We target cost savings of more than CHF 4.5 billion by the end of 2015, of which about CHF 3.5 billion of adjusted annualized savings were delivered as of the end of 2014. This target is measured against our annualized six month 2011 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

The majority of the targeted future savings is expected to be realized from shared infrastructure and support services across the Group, mainly through the rationalization of internal and external services with front-to-back and regional optimization and more effective demand management.

We have also targeted further savings within our two operating divisions. Within Private Banking & Wealth Management, we expect to deliver cost benefits mainly from the wind-down of non-strategic operations, the rationalization and further offshoring of support functions, increasing automation and platform consolidation.

Within Investment Banking, we expect to deliver cost benefits from infrastructure initiatives, continued progress on the restructuring of our macro businesses and the exit of certain businesses.

We expect to incur approximately CHF 0.3 billion of costs associated with these measures during the course of 2015. We incurred CHF 608 million of business realignment costs and CHF 293 million of IT architecture simplification expenses associated with these measures in 2014, compared to CHF 484 million and CHF 128 million, respectively, in 2013.

In addition to the above cost saving targets for 2015, we are targeting a further CHF 200 million of annualized cost savings to be achieved by the end of 2017. We expect to incur CHF 200 million of costs associated with these measures during the course of 2015 to 2017.

As of the end of 2014, total assets for the Group were CHF 921.4 billion, up CHF 48.6 billion, or 6%, from 2013. Excluding the foreign exchange translation impact, total assets decreased CHF 13.8 billion, reflecting measures taken in connection with our announced balance sheet reduction initiative.

> Refer to “Strategy” in I – Information on the company for further information.

Key performance indicators

Our historical key performance indicators (KPIs) are provided in the table below. Our stated KPIs are measured on the basis of reported results. We believe the execution of our strategic initiatives, including the run-off of non-strategic operations, will enable us to achieve our targets over a three to five year period across market cycles.

> Refer to "Key performance indicators" in Private Banking & Wealth Management and Investment Banking results for further information on divisional KPIs.

Collaboration revenues

Collaboration revenues are calculated as the percentage of the Group's net revenues represented by the aggregate collaboration revenues arising when more than one of the Group's divisions participate in a transaction. Additionally, within the Private Banking & Wealth Management division, collaboration revenues include revenues arising from cross-selling and client referral activities between the Wealth Management Clients and Corporate & Institutional Clients businesses on the one hand and the Asset Management and the securities trading and sales businesses on the other hand.

Collaboration revenues are measured by a dedicated governance structure and implemented through an internal revenue sharing structure. Only the net revenues generated by a transaction are considered. >>>Position risk related to trading revenues, private equity and other investment-related gains, valuation adjustments and centrally managed treasury revenues are not included in collaboration revenues.

Key performance indicators

Our KPIs are targets to be achieved over a three- to five-year period across market cycles. Our KPIs are assessed annually as part of our normal planning process and may be revised to reflect our strategic plan, the regulatory environment and market and industry trends.

in / end of	Target	2014	2013	2012
Growth (%)				
Collaboration revenues	18–20% of net revenues	16.7	17.7	18.6
Efficiency and performance (%)				
Total shareholder return (Credit Suisse) [1]	Superior return vs peer group	(5.6)	26.0	4.8
Total shareholder return of peer group [1, 2]	–	(0.7)	34.3	52.8
Return on equity attributable to shareholders	Above 15%	4.4	5.7	3.9
Core Results cost/income ratio	Below 70%	86.8	85.4	91.1
Capital (%)				
Look-through CET1 ratio [3]	11%	10.1	10.0	–

1
Source: Bloomberg. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value as of the beginning of the period.

2
The peer group for this comparison comprises Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS. The total shareholder return of this peer group is calculated as a simple, unweighted average of the return reported by Bloomberg for each of the members of the peer group.

3

Updated in the second quarter of 2014 from a previous target of a look-through Swiss Core Capital ratio above 10%.

66

Private Banking & Wealth Management

For 2014, we reported income before taxes of CHF 2,088 million and net revenues of CHF 12,637 million.

In our strategic businesses, we reported income before taxes of CHF 3,726 million and net revenues of CHF 12,108 million. Compared to 2013, income before taxes increased 3% with lower operating expenses partially offset by lower net revenues. The decrease in net revenues mainly reflected lower net interest income and significantly lower performance fees, partially offset by higher other revenues driven by a lower impairment related to an equity investment, a gain on the sale of the local affluent and upper affluent business in Italy and a gain related to the partial sale of an investment in Euroclear. Operating expenses were 5% lower, reflecting lower compensation and benefits and slightly lower general and administrative expenses from our ongoing efficiency measures.

In our non-strategic businesses, we reported a loss before taxes of CHF 1,638 million, driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters. In 2013, we reported a loss before taxes of CHF 387 million, including litigation provisions in connection with the US cross-border matters, partially offset by gains from the sale of former Asset Management businesses.

In 2014, assets under management for the division were CHF 1,377.3 billion and we attracted net new assets of CHF 28.2 billion.

Divisional results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**12,637**	**13,442**	**13,474**	(6)	0
of which strategic results	12,108	12,434	12,343	(3)	1
of which non-strategic results	529	1,008	1,131	(48)	(11)
Provision for credit losses	**123**	**152**	**182**	(19)	(16)
Compensation and benefits	4,984	5,331	5,561	(7)	(4)
General and administrative expenses	4,768	3,914	3,209	22	22
Commission expenses	674	805	747	(16)	8
Total other operating expenses	5,442	4,719	3,956	15	19
Total operating expenses	**10,426**	**10,050**	**9,517**	4	6
of which strategic results	8,270	8,725	8,830	(5)	(1)
of which non-strategic results	2,156	1,325	687	63	93
Income/(loss) before taxes	**2,088**	**3,240**	**3,775**	(36)	(14)
of which strategic results	3,726	3,627	3,374	3	7
of which non-strategic results	(1,638)	(387)	401	323	–
Statement of operations metrics (%)					
Return on regulatory capital [1]	15.4	25.6	–	–	–
Cost/income ratio	82.5	74.8	70.6	–	–
Pre-tax income margin	16.5	24.1	28.0	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	9,551	9,792	10,209	(2)	(4)
Pre-tax return on average economic risk capital (%) [2]	22.4	33.7	37.6	–	–
Assets under management (CHF billion)					
Assets under management	1,377.3	1,282.4	1,250.8	7.4	2.5
Net new assets	28.2	32.1	10.8	(12.1)	197.2
Number of employees and relationship managers					
Number of employees (full-time equivalents)	26,100	26,000	27,300	0	(5)
Number of relationship managers	4,260	4,330	4,550	(2)	(5)

1

Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2014 and 29% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2
Calculated using a return excluding interest costs for allocated goodwill.
67

Divisional results (continued)

		in / end of		% change	
	2014	2013	2012	14 / 13	13 / 12
Net revenue detail (CHF million)					
Net interest income	3,924	4,252	4,551	(8)	(7)
Recurring commissions and fees	4,772	4,956	4,797	(4)	3
Transaction- and performance-based revenues	3,657	3,967	3,678	(8)	8
Other revenues [1]	284	267	448	6	(40)
Net revenues	**12,637**	**13,442**	**13,474**	(6)	0
Provision for credit losses (CHF million)					
New provisions	216	281	316	(23)	(11)
Releases of provisions	(93)	(129)	(134)	(28)	(4)
Provision for credit losses	**123**	**152**	**182**	(19)	(16)
Balance sheet statistics (CHF million)					
Net loans	**238,124**	**215,713**	**207,702**	10	4
of which Wealth Management Clients	167,516	149,728	144,856	12	3
of which Corporate & Institutional Clients	68,590	62,446	58,877	10	6
Deposits	**303,576**	**288,770**	**276,571**	5	4
of which Wealth Management Clients	219,490	208,210	203,376	5	2
of which Corporate & Institutional Clients	80,291	74,459	65,849	8	13

1
Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

Key performance indicators

We target a divisional cost/income ratio of 65% for the Private Banking & Wealth Management division. In 2014, the cost/income ratio was 82.5%, up eight percentage points compared to 2013 and up twelve percentage points compared to 2012. The cost/income ratio for our strategic results was 68.3% in 2014, down two percentage points compared to 2013 and down three percentage points compared to 2012.

We also target net new asset growth of 6% for both the Wealth Management Clients and Asset Management businesses. In 2014, the growth rates in Wealth Management Clients and Asset Management were 3.5% and 1.1%, respectively.

> Refer to “Key performance indicators” in Core Results – Information and developments for further information.

68

Strategic and non-strategic results

	Strategic results			Non-strategic results			Private Banking & Wealth Management		
in / end of	2014	2013	2012	2014	2013	2012	2014	2013	2012
Statements of operations (CHF million)									
Net revenues	**12,108**	**12,434**	**12,343**	**529**	**1,008**	**1,131**	**12,637**	**13,442**	**13,474**
Provision for credit losses	**112**	**82**	**139**	**11**	**70**	**43**	**123**	**152**	**182**
Compensation and benefits	4,775	5,027	5,186	209	304	375	4,984	5,331	5,561
Total other operating expenses	3,495	3,698	3,644	1,947	1,021	312	5,442	4,719	3,956
Total operating expenses	**8,270**	**8,725**	**8,830**	**2,156**	**1,325**	**687**	**10,426**	**10,050**	**9,517**
Income/(loss) before taxes	**3,726**	**3,627**	**3,374**	**(1,638)**	**(387)**	**401**	**2,088**	**3,240**	**3,775**
Balance sheet statistics (CHF billion)									
Risk-weighted assets – Basel III	102,407	89,428	88,937	5,854	6,079	7,728	108,261	95,507	96,665
Total assets	335,382	295,799	284,263	10,567	20,692	23,967	345,949	316,491	308,230
Swiss leverage exposure	369,355	326,195	–	11,247	21,589	–	380,602	347,784	–

Strategic results

Overview

Our strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.

Full-year 2014 results

In 2014, our strategic businesses reported income before taxes of CHF 3,726 million and net revenues of CHF 12,108 million. Net revenues were slightly lower compared to 2013, with lower net interest income and lower transaction- and performance-based revenues partially offset by higher other revenues. Recurring commissions and fees were stable. Provision for credit losses was CHF 112 million in 2014, compared to CHF 82 million in 2013, on a net loan portfolio of CHF 236 billion. Total operating expenses were lower compared to 2013, reflecting lower compensation and benefits, lower commission expenses and slightly lower general and administrative expenses.

Full-year 2013 results

In 2013, our strategic businesses reported income before taxes of CHF 3,627 million and net revenues of CHF 12,434 million. Net revenues were stable compared to 2012, with higher transaction- and performance-based revenues and higher recurring commissions and fees offset by lower net interest income and lower other revenues. Provision for credit losses was CHF 82 million in 2013, compared to CHF 139 million in 2012, on a net loan portfolio of CHF 212 billion. Total operating expenses were stable compared to 2012, reflecting slightly lower compensation and benefits offset by higher commission expenses.

Capital metrics

At the end of 2014, our strategic businesses reported >>>risk-weighted assets under >>>Basel III of CHF 102 billion, an increase of CHF 13 billion compared to the end of 2013. This increase was driven by methodology changes, increases in risk levels due to business growth and foreign exchange movements. Swiss leverage exposure was CHF 369 billion, reflecting an increase of 13% compared to the end of 2013.

Strategic results

		in / end of		% change	
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net interest income	3,870	4,155	4,438	(7)	(6)
Recurring commissions and fees	4,601	4,554	4,329	1	5
Transaction- and performance-based revenues	3,587	3,818	3,482	(6)	10
Other revenues	50	(93)	94	–	–
Net revenues	**12,108**	**12,434**	**12,343**	(3)	1
New provisions	186	210	274	(11)	(23)
Releases of provisions	(74)	(128)	(135)	(42)	(5)
Provision for credit losses	**112**	**82**	**139**	37	(41)
Compensation and benefits	4,775	5,027	5,186	(5)	(3)
General and administrative expenses	2,847	2,938	2,963	(3)	(1)
Commission expenses	648	760	681	(15)	12
Total other operating expenses	3,495	3,698	3,644	(5)	1
Total operating expenses	**8,270**	**8,725**	**8,830**	(5)	(1)
Income before taxes	**3,726**	**3,627**	**3,374**	3	7
of which Wealth Management Clients	2,260	2,050	1,971	10	4
of which Corporate & Institutional Clients	917	965	941	(5)	3
of which Asset Management	549	612	462	(10)	32
Statement of operations metrics (%)					
Return on regulatory capital [1]	29.0	30.7	–	–	–
Cost/income ratio	68.3	70.2	71.5	–	–
Pre-tax income margin	30.8	29.2	27.3	–	–
Balance sheet statistics (CHF million)					
Risk-weighted assets – Basel III	102,407	89,428	88,937	15	1
Total assets	335,382	295,799	284,263	13	4
Swiss leverage exposure	369,355	326,195	–	13	–

1
Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2014 and 29% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

Results detail

The following provides a comparison of our 2014 strategic results versus 2013 and 2013 results versus 2012.

Net revenues

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 and fees for general banking products and services. Transaction- and performance-based revenues arise primarily from brokerage and product issuing fees, foreign exchange fees from client transactions, performance-based fees related to assets under management and custody assets, trading and sales income, placement fees, equity participations income and other transaction-based income. Other revenues include investment-related gains and losses and equity participations and other gains and losses.

2014 vs 2013: Down 3% from CHF 12,434 million to CHF 12,108 million

Net revenues were slightly lower with lower net interest income and lower transaction- and performance-based revenues partially offset by higher other revenues. In a low interest rate environment, lower net interest income primarily reflected significantly lower deposit margins on slightly higher average deposit volumes, partially offset by stable loan margins on higher average loan volumes. Lower transaction- and performance-based revenues reflected

significantly lower performance fees and lower foreign exchange client business, partially offset by higher corporate advisory fees arising from integrated solutions revenues. Other revenues increased, mainly reflecting a lower impairment related to Asset Management Finance LLC (AMF) in 2014, 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, mostly recorded in Wealth Management Clients with the remainder in Corporate & Institutional Clients. Recurring commissions and fees were stable with higher discretionary mandate management fees and higher investment account and services fees offset by lower investment product management fees.

2013 vs 2012: Stable at CHF 12,434 million
Net revenues were stable, with higher transaction- and performance-based revenues and higher recurring commissions and fees offset by lower net interest income and lower other revenues. Higher transaction- and performance-based revenues reflected higher revenues across all major revenue categories, primarily higher performance fees and carried interest as well as higher brokerage and product issuing fees. Higher recurring commissions and fees mainly reflected higher investment account and service fees as well as higher asset management fees. Lower net interest income reflected significantly lower deposit margins and stable loan margins on higher average deposit and loan volumes. Other revenues decreased mainly due to a decrease in investment-related gains and equity participations gains, mainly due to a gain of CHF 45 million in 2012 from the sale of Wincasa.
Provision for credit losses
The Wealth Management Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities. Our Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by mortgages, securities and other financial collateral.
2014 vs 2013: Up 37% from CHF 82 million to CHF 112 million
Wealth Management Clients recorded net provisions of CHF 60 million and Corporate & Institutional Clients recorded net provisions of CHF 52 million. The increase in provision for credit losses compared to 2013 is mainly due to higher releases of provisions in 2013 in Corporate & Institutional Clients. The net loan portfolio increased from CHF 212.2 billion to CHF 236.1 billion.
2013 vs 2012: Down 41% from CHF 139 million to CHF 82 million
Provision for credit losses of CHF 82 million was down CHF 57 million compared to 2012. Provision for credit losses reflected net provisions of CHF 78 million in Wealth Management Clients and CHF 4 million in Corporate & Institutional Clients.
Operating expenses
Compensation and benefits
2014 vs 2013: Down 5% from CHF 5,027 million to CHF 4,775 million
Lower compensation and benefits mainly reflected lower salary expenses as a result of the ongoing cost efficiency measures.
2013 vs 2012: Down 3% from CHF 5,186 million to CHF 5,027 million
Compensation and benefits decreased slightly, driven by lower salary expenses, reflecting lower headcount.
General and administrative expenses
2014 vs 2013: Down 3% from CHF 2,938 million to CHF 2,847 million
Slightly lower general and administrative expenses mainly reflected lower infrastructure and occupancy expenses and slightly lower travel and entertainment expenses, partially offset by higher professional services fees and higher litigation provisions.
2013 vs 2012: Stable at CHF 2,938 million
General and administrative expenses were stable and included higher expense provisions, higher professional services and lower travel and entertainment expenses.
Wealth Management Clients
Net revenues
Net interest income
2014 vs 2013: Down 9% from CHF 3,050 million to CHF 2,784 million
The decrease in net interest income reflected significantly lower deposit margins on stable average deposit volumes, slightly lower loan margins on higher average loan volumes and lower levels of deposits eligible as stable funding.
2013 vs 2012: Down 7% from CHF 3,268 million to CHF 3,050 million
The decrease in net interest income reflected significantly lower deposit margins on slightly higher average deposit volumes and slightly lower loan margins on higher average loan volumes.
Recurring commissions and fees
2014 vs 2013: Stable at CHF 2,967 million
Recurring commissions and fees were stable with higher discretionary mandate management fees and higher investment account and services fees offset by lower investment product management fees.
2013 vs 2012: Up 5% from CHF 2,811 million to CHF 2,956 million

The increase reflected higher revenues across all major revenue categories, primarily higher investment account and services fees, driven by higher investment advisory fees and higher security account fees.

Transaction- and performance-based revenues

2014 vs 2013: Stable at CHF 2,442 million

Transaction- and performance-based revenues were stable with significantly higher corporate advisory fees, higher placement and transaction fees and higher brokerage and product issuing fees, offset by lower foreign exchange client business and significantly lower performance fees from Hedging-Griffo.

2013 vs 2012: Up 4% from CHF 2,355 million to CHF 2,438 million

Higher transaction- and performance-based revenues reflected higher brokerage and product issuing fees, primarily in equities and funds, higher equity participations income and higher foreign exchange client business.

Results – Wealth Management Clients

			in		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**8,286**	**8,444**	**8,475**	(2)	0
Provision for credit losses	**60**	**78**	**110**	(23)	(29)
Total operating expenses	**5,966**	**6,316**	**6,394**	(6)	(1)
Income before taxes	**2,260**	**2,050**	**1,971**	10	4
Statement of operations metrics (%)					
Cost/income ratio	72.0	74.8	75.4	–	–
Pre-tax income margin	27.3	24.3	23.3	–	–
Net revenue detail (CHF million)					
Net interest income	2,784	3,050	3,268	(9)	(7)
Recurring commissions and fees	2,967	2,956	2,811	0	5
Transaction- and performance-based revenues	2,442	2,438	2,355	0	4
Other revenues	93[1]	0	41[2]	–	(100)
Net revenues	**8,286**	**8,444**	**8,475**	(2)	0
Gross and net margin on assets under management (bp)					
Net interest income	33	38	44	–	–
Recurring commissions and fees	36	38	38	–	–
Transaction- and performance-based revenues	29	31	32	–	–
Other revenues	1	0	0	–	–
Gross margin [3]	**99**	**107**	**114**	–	–
Net margin [4]	**27**	**26**	**27**	–	–
Number of relationship managers					
Switzerland	1,670	1,590	1,630	5	(2)
EMEA	1,030	1,180	1,300	(13)	(9)
Americas	540	560	620	(4)	(10)
Asia Pacific	490	440	440	11	0
Number of relationship managers	**3,730**	**3,770**	**3,990**	(1)	(6)

1
Reflects a gain on the sale of the local affluent and upper affluent business in Italy and a gain related to the partial sale of an investment in Euroclear.
2
Reflects gains related to the sale of a business from the integration of Clariden Leu in 2012.
3
Net revenues divided by average assets under management.
4
Income before taxes divided by average assets under management.

Gross margin

Our gross margin was 99 basis points in 2014, eight basis points lower compared to 2013, mainly reflecting a 5.7% increase in average assets under management and the continued adverse interest rate environment.

Net margin

Our net margin was 27 basis points in 2014, one basis point higher compared to 2013, reflecting lower operating expenses and the gains from the sales, partially offset by the 5.7% increase in average assets under management and lower net interest income.

Assets under management – Wealth Management Clients

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Assets under management by region (CHF billion)					
Switzerland	290.0	270.9	243.5	7.1	11.3
EMEA	244.5	231.3	243.2	5.7	(4.9)
Americas	196.5	172.9	164.5	13.6	5.1
Asia Pacific	143.5	115.6	106.8	24.1	8.2
Assets under management	**874.5**	**790.7**	**758.0**	10.6	4.3
Average assets under management (CHF billion)					
Average assets under management	833.0	788.2	741.2	5.7	6.3
Assets under management by currency (CHF billion)					
USD	361.4	306.1	286.4	18.1	6.9
EUR	153.6	152.6	149.0	0.7	2.4
CHF	194.9	187.1	184.6	4.2	1.4
Other	164.6	144.9	138.0	13.6	5.0
Assets under management	**874.5**	**790.7**	**758.0**	10.6	4.3
Net new assets by region (CHF billion)					
Switzerland	5.7	0.9	2.3	–	(60.9)
EMEA	1.9	1.8	(2.0)	5.6	–
Americas	2.6	4.7	10.2	(44.7)	(53.9)
Asia Pacific	17.3	11.5	10.1	50.4	13.9
Net new assets	**27.5**	**18.9**	**20.6**	45.5	(8.3)
Growth in assets under management (CHF billion)					
Net new assets	27.5	18.9	20.6	–	–
Other effects	56.3	13.8	27.9	–	–
of which market movements	22.9	40.2	47.4	–	–
of which currency	39.0	(17.6)	(12.4)	–	–
of which other	(5.6)	(8.8)	(7.1)	–	–
Growth in assets under management	**83.8**	**32.7**	**48.5**	–	–
Growth in assets under management (%)					
Net new assets	3.5	2.5	2.9	–	–
Other effects	7.1	1.8	3.9	–	–
Growth in assets under management	**10.6**	**4.3**	**6.8**	–	–

Corporate & Institutional Clients

Net revenues

Net interest income

2014 vs 2013: Down 2% from CHF 1,105 million to CHF 1,086 million

The decrease reflected significantly lower deposit margins on higher average deposit volumes, partially offset by higher loan margins on higher average loan volumes.

2013 vs 2012: Down 6% from CHF 1,170 million to CHF 1,105 million

The decrease reflected significantly lower deposit margins and higher loan margins on higher average deposit and loan volumes.

Recurring commissions and fees

2014 vs 2013: Up 2% from CHF 451 million to CHF 460 million

The increase reflected slightly higher banking services and higher discretionary mandate management fees, partially offset by lower investment product management fees, mainly from lower funds management fees.

2013 vs 2012: Stable at CHF 451 million

Recurring commissions and fees were stable. Higher investment account and services fees, primarily from custody services, were offset by lower investment product management fees, mainly from lower funds management fees.

Transaction- and performance-based revenues

2014 vs 2013: Stable at CHF 453 million

Transaction- and performance-based revenues were stable with higher corporate advisory fees offset by lower sales and trading income.

2013 vs 2012: Stable at CHF 455 million

Stable transaction- and performance-based revenues reflected higher foreign exchange client business, offset by lower revenues from integrated solutions and lower sales and trading income.

Results – Corporate & Institutional Clients

			in		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**1,973**	**1,996**	**2,064**	(1)	(3)
Provision for credit losses	**52**	**4**	**29**	–	(86)
Total operating expenses	**1,004**	**1,027**	**1,094**	(2)	(6)
Income before taxes	**917**	**965**	**941**	(5)	3
Statement of operations metrics (%)					
Cost/income ratio	50.9	51.5	53.0	–	–
Pre-tax income margin	46.5	48.3	45.6	–	–
Net revenue detail (CHF million)					
Net interest income	1,086	1,105	1,170	(2)	(6)
Recurring commissions and fees	460	451	448	2	1
Transaction- and performance-based revenues	453	455	457	0	0
Other revenues [1]	(26)[2]	(15)	(11)[3]	73	36
Net revenues	**1,973**	**1,996**	**2,064**	(1)	(3)
Number of relationship managers					
Number of relationship managers (Switzerland)	530	560	560	(5)	0

1

Includes fair value losses of CHF 35 million, CHF 15 million and CHF 35 million on the Clock Finance transaction in 2014, 2013 and 2012, respectively.

2

Includes a gain of CHF 9 million related to the partial sale of an investment in Euroclear.

3

Includes gains of CHF 25 million related to a recovery case.

Asset Management
Net revenues
Fee-based revenues
2014 vs 2013: Down 10% from CHF 2,017 million to CHF 1,818 million
The decrease reflected significantly lower performance fees from Hedging-Griffo and lower performance fees from single manager hedge funds, partially offset by higher equity participations income and slightly higher asset management fees driven by higher fees from our alternatives business.
2013 vs 2012: Up 20% from CHF 1,675 million to CHF 2,017 million
The increase primarily reflected higher performance fees, asset management fees and private equity placement fees. Higher performance fees were recognized primarily from single manager hedge funds and Hedging-Griffo. The higher asset management fees, primarily in our alternatives business, reflected higher average assets under management driven in part by net new assets of CHF 15.0 billion for 2013.
Results – Asset Management

			in	% change	
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**1,849**	**1,994**	**1,804**	(7)	11
Provision for credit losses	**0**	**0**	**0**	–	–
Total operating expenses	**1,300**	**1,382**	**1,342**	(6)	3
Income before taxes	**549**	**612**	**462**	(10)	32
Statement of operations metrics (%)					
Cost/income ratio	70.3	69.3	74.4	–	–
Pre-tax income margin	29.7	30.7	25.6	–	–
Net revenue detail (CHF million)					
Recurring commissions and fees	1,174	1,147	1,070	2	7
Transaction- and performance-based revenues	692	925	670	(25)	38
Other revenues	(17)	(78)	64	(78)	–
Net revenues	**1,849**	**1,994**	**1,804**	(7)	11
Net revenue detail by type (CHF million)					
Asset management fees	1,174	1,147	1,070	2	7
Placement, transaction and other fees	262	284	223	(8)	27
Performance fees and carried interest	309	542	346	(43)	57
Equity participations income	73	44	36	66	22
Fee-based revenues	1,818	2,017	1,675	(10)	20
Investment-related gains/(losses)	21	52	139	(60)	(63)
Equity participations and other gains/(losses)	(1)	(86)	(7)	(99)	–
Other revenues [1]	11	11	(3)	0	–
Net revenues	**1,849**	**1,994**	**1,804**	(7)	11
Fee-based margin on assets under management (bp)					
Fee-based margin [2]	48	58	52	–	–

1
Includes allocated funding costs.
2
Fee-based revenues divided by average assets under management.
75

Investment-related gains/(losses)

2014 vs 2013: Down 60% from CHF 52 million to CHF 21 million

The gains of CHF 21 million reflected gains in hedge fund investments and the real estate sector.

2013 vs 2012: Down 63% from CHF 139 million to CHF 52 million

The gains of CHF 52 million in 2013 and CHF 139 million in 2012 primarily reflected gains in hedge fund investments and the real estate sector.

Equity participations and other gains/(losses)

2014 vs 2013: Up from CHF (86) million to CHF (1) million

In 2014, we recognized impairments of CHF 4 million related to AMF, partially offset by a gain from the sale of an equity stake in a joint venture. In 2013 we recognized impairments of CHF 86 million related to AMF.

2013 vs 2012: Down from CHF (7) million to CHF (86) million

In 2013, we recognized impairments of CHF 86 million related to AMF. The loss of CHF 7 million in 2012 primarily reflected impairment charges of CHF 61 million related to AMF, partially offset by a gain of CHF 45 million from the sale of Wincasa.

Assets under management – Asset Management

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Assets under management (CHF billion)					
Hedge funds	27.8	29.8	24.8	(6.7)	20.2
Private equity	1.2	0.6	0.4	100.0	50.0
Real estate & commodities	51.5	50.5	48.6	2.0	3.9
Credit	38.0	30.0	23.8	26.7	26.1
Index strategies	88.7	75.1	64.0	18.1	17.3
Multi-asset class solutions	108.8	104.0	103.1	4.6	0.9
Fixed income & equities	53.0	54.4	55.2	(2.6)	(1.4)
Other	19.5	7.9	5.4	146.8	46.3
Assets under management [1]	**388.5**	**352.3**	**325.3**	10.3	8.3
Average assets under management (CHF billion)					
Average assets under management	375.4	346.3	320.1	8.4	8.2
Assets under management by currency (CHF billion)					
USD	91.9	74.9	63.0	22.7	18.9
EUR	50.0	50.5	42.2	(1.0)	19.7
CHF	213.0	196.4	192.9	8.5	1.8
Other	33.6	30.5	27.2	10.2	12.1
Assets under management	**388.5**	**352.3**	**325.3**	10.3	8.3
Growth in assets under management (CHF billion)					
Net new assets [2]	3.7	15.0	(8.3)	–	–
Other effects	32.5	12.0	14.6	–	–
of which market movements	19.1	17.7	24.2	–	–
of which currency	9.5	(5.5)	(4.6)	–	–
of which other	3.9	(0.2)	(5.0)	–	–
Growth in assets under management	**36.2**	**27.0**	**6.3**	–	–
Growth in assets under management (%)					
Net new assets	1.1	4.6	(2.6)	–	–
Other effects	9.2	3.7	4.6	–	–
Growth in assets under management	**10.3**	**8.3**	**2.0**	–	–
Principal investments (CHF billion)					
Principal investments	1.3	0.9	1.1	44.4	(18.2)

1

Excludes our portion of assets under management from our equity participation in Aberdeen.

2

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

76

Non-strategic results

Overview

Our non-strategic businesses for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the final settlement of all outstanding US cross-border matters, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products. Furthermore, it comprises certain remaining operations that we continue to wind-down relating to our domestic private banking business booked in Germany, which we sold in 2014.

Full-year 2014 results

For 2014, our non-strategic businesses reported a loss before taxes of CHF 1,638 million compared to a loss before taxes of CHF 387 million in 2013. Net revenues of CHF 529 million were significantly lower than the CHF 1,008 million reported in 2013, reflecting the winding-down of non-strategic operations during the course of the year. Provision for credit losses was CHF 11 million in 2014, compared to CHF 70 million in 2013, on a net loan portfolio of CHF 2 billion. Total operating expenses in 2014 were higher than in 2013, mainly driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters in May 2014.

Full-year 2013 results

For 2013, our non-strategic businesses reported a loss before taxes of CHF 387 million compared to income before taxes of CHF 401 million in 2012. Net revenues of CHF 1,008 million were 11% lower than the CHF 1,131 million reported in 2012, reflecting lower gains on sale of businesses and lower fee-based revenues resulting from those sales. Provision for credit losses was CHF 70 million in 2013, compared to CHF 43 million in 2012, on a net loan portfolio of CHF 4 billion. Total operating expenses in 2013 were higher than in 2012, mainly reflecting substantially higher litigation provisions of CHF 600 million in connection with the US cross-border matters, including CHF 175 million in connection with the settlement with the SEC in February 2014.

Capital metrics

At the end of 2014, our non-strategic businesses reported >>>risk-weighted assets under >>>Basel III of CHF 6 billion, a slight decrease compared to the end of 2013, reflecting a decrease of CHF 2 billion due to the continued progress in winding down the non-strategic portfolio offset by an external methodology impact of CHF 2 billion in the first quarter of 2014. Swiss leverage exposure was CHF 11 billion, reflecting a decrease of 50% compared to the end of 2013.

Non-strategic results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**529**	**1,008**	**1,131**	(48)	(11)
Provision for credit losses	**11**	**70**	**43**	(84)	63
Compensation and benefits	209	304	375	(31)	(19)
Total other operating expenses	1,947	1,021	312	91	227
Total operating expenses	**2,156**	**1,325**	**687**	63	93
Income/(loss) before taxes	**(1,638)**	**(387)**	**401**	323	–
Revenue details (CHF million)					
Restructuring of select onshore businesses	169	164	148	3	11
Legacy cross-border business and small markets	158	203	209	(22)	(3)
Restructuring of former Asset Management division	155	534	659	(71)	(19)
Other	47	107	115	(56)	(7)
Net revenues	**529**	**1,008**	**1,131**	(48)	(11)
Balance sheet statistics (CHF million)					

Risk-weighted assets – Basel III	5,854	6,079	7,728	(4)	(21)
Total assets	10,567	20,692	23,967	(49)	(14)
Swiss leverage exposure	11,247	21,589	–	(48)	–

Results detail

The following provides a comparison of our 2014 non-strategic results versus 2013 and 2013 results versus 2012.

Net revenues

2014 vs 2013: Down 48% from CHF 1,008 million to CHF 529 million

The significant decrease primarily reflected the winding-down of non-strategic operations during 2014, as well as lower gains from sales of businesses. In 2014, we recognized a gain of CHF 109 million on the sale of our domestic private banking business booked in Germany and a gain of CHF 91 million on the sale of CFIG, our private equity fund of funds and co-investment business, compared with gains in 2013 of CHF 146 million on the sale of our exchange-traded funds (ETF) business, CHF 91 million on the sale of Strategic Partners, our secondary private equity business, and CHF 28 million from the sale of JO Hambro.

2013 vs 2012: Down 11% from CHF 1,131 million to CHF 1,008 million

The decrease primarily reflected lower recurring commissions and fees and lower transaction- and performance-based revenues, reflecting the impact of sales of non-strategic businesses during 2013 and lower gains from sales of businesses, partially offset by significantly higher investment-related gains. We recognized gains of CHF 146 million on the sale of our ETF business, CHF 91 million on the sale of Strategic Partners, our secondary private equity business, and CHF 28 million from the sale of JO Hambro during the year, compared with a gain of CHF 384 million in 2012 from the sale of our remaining ownership interest in Aberdeen. Investment-related gains of CHF 128 million were significantly higher than the CHF 16 million recorded in 2012, which included losses of CHF 82 million in connection with the planned sale of certain private equity investments.

Operating expenses

2014 vs 2013: Up 63% from CHF 1,325 million to CHF 2,156 million

Higher operating expenses were driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters. We also had lower compensation and benefits, lower professional services fees and lower commission expenses resulting from the winding-down of non-strategic operations in 2014.

2013 vs 2012: Up 93% from CHF 687 million to CHF 1,325 million

Higher operating expenses reflected substantially higher litigation provisions of CHF 600 million in connection with the US cross-border matters, including CHF 175 million in connection with the settlement with the SEC in February 2014. We also had higher professional services fees resulting from the sale of former Asset Management businesses, partially offset by lower commission and compensation and benefits relating to the sales. We also recognized a goodwill impairment of CHF 12 million resulting from the creation of the non-strategic reporting unit in the fourth quarter of 2013.

Assets under management

2014

In 2014, assets under management of CHF 1,377.3 billion increased 7.4% compared to the end of 2013, primarily reflecting favorable exchange-related movements, positive market movements and net new assets of CHF 28.2 billion, partially offset by structural effects, primarily from the sales of businesses.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 27.5 billion, primarily with inflows from emerging markets and our >>>ultra-high-net-worth individual (UHNWI) client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 5.5 billion. Asset Management reported net new assets of CHF 3.7 billion, with inflows from a joint venture in emerging markets and in index and credit products partially offset by outflows of CHF 9.2 billion of assets that resulted from the change of management of funds from Hedging-Griffo to a new venture in Brazil, Verde Asset Management, in which we have a significant investment, and outflows in traditional products. Assets under management continued to reflect a risk-averse asset mix, with investments in less complex, lower-margin products and a significant portion of assets in cash and money market products.

In our non-strategic portfolio, assets under management declined 75.7% to CHF 10.8 billion mainly reflecting the sale of CFIG and of our domestic private banking business booked in Germany.

2013

In 2013, assets under management of CHF 1,282.4 billion increased 2.5% compared to the end of 2012, reflecting net new assets of CHF 32.1 billion and positive market movements, partially offset by adverse foreign exchange-related movements and structural effects, primarily from the sales of businesses.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 18.9 billion, particularly from inflows from emerging markets and our UHNWI client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported strong net new assets of CHF 8.8 billion. Asset Management reported significant net new assets of CHF 15.0 billion, mainly from credit, index strategies and hedge fund products, partially offset by outflows from fixed income. Assets under management continued to reflect a risk-averse asset mix, with investments in less complex, lower-margin products and a significant portion of assets in cash and money market products.

In our non-strategic portfolio, assets under management declined 47.6% to CHF 44.4 billion, mainly reflecting the sale of our ETF and secondary private equity businesses.

Assets under management – Private Banking & Wealth Management

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Assets under management by business (CHF billion)					
Wealth Management Clients	874.5	790.7	758.0	10.6	4.3
Corporate & Institutional Clients	275.9	250.0	223.8	10.4	11.7
Asset Management	388.5	352.3	325.3	10.3	8.3
Non-strategic	10.8	44.4	84.7	(75.7)	(47.6)
Assets managed across businesses [1]	(172.4)	(155.0)	(141.0)	11.2	9.9
Assets under management	**1,377.3**	**1,282.4**	**1,250.8**	7.4	2.5
Average assets under management (CHF billion)					
Average assets under management	1,328.5	1,291.2	1,224.7	2.9	5.4
Net new assets by business (CHF billion)					
Wealth Management Clients	27.5	18.9	20.6	45.5	(8.3)
Corporate & Institutional Clients	5.5	8.8	1.5	(37.5)	486.7
Asset Management	3.7	15.0	(8.3)	(75.3)	–
Non-strategic	(8.2)	(5.9)	(2.1)	39.0	181.0
Assets managed across businesses [1]	(0.3)	(4.7)	(0.9)	(93.6)	422.2
Net new assets	**28.2**	**32.1**	**10.8**	(12.1)	197.2

1

Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

Investment Banking

For 2014, total Investment Banking income before taxes was CHF 1,830 million on net revenues of CHF 12,515 million. We improved the profitability of Investment Banking on stable revenues and increased capital efficiency, reflecting the consistency and stability of our diversified franchise. Our strategic businesses reported income before taxes of CHF 3,744 million and net revenues of CHF 13,087 million. Our non-strategic businesses reported a loss before taxes of CHF 1,914 million, and negative net revenues of CHF 572 million.

We made continued progress in improving capital efficiency in 2014, reducing Swiss leverage exposure by USD 42 billion to USD 794 billion. We also reduced Basel III risk-weighted assets by USD 13 billion to USD 161 billion compared to year-end 2013.

Divisional results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**12,515**	**12,565**	**12,558**	0	0
of which strategic results	13,087	13,096	13,277	0	(1)
of which non-strategic results	(572)	(531)	(719)	8	(26)
Provision for credit losses	**61**	**13**	**(12)**	369	–
Compensation and benefits	5,649	5,435	6,070	4	(10)
General and administrative expenses	4,090	4,477	3,551	(9)	26
Commission expenses	885	921	947	(4)	(3)
Total other operating expenses	4,975	5,398	4,498	(8)	20
Total operating expenses	**10,624**	**10,833**	**10,568**	(2)	3
of which strategic results	9,305	9,195	9,833	1	(6)
of which non-strategic results	1,319	1,638	735	(19)	123
Income/(loss) before taxes	**1,830**	**1,719**	**2,002**	6	(14)
of which strategic results	3,744	3,894	3,455	(4)	13
of which non-strategic results	(1,914)	(2,175)	(1,453)	(12)	50
Statement of operations metrics (%)					
Return on regulatory capital [1]	7.7	6.7	–		
Cost/income ratio	84.9	86.2	84.2	–	–
Pre-tax income margin	14.6	13.7	15.9	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	20,605	19,298	19,357	7	–
Pre-tax return on average economic risk capital (%) [2]	9.4	9.4	11.0	–	–
Number of employees (full-time equivalents)					
Number of employees	19,400	19,700	19,800	(2)	(1)

1

Calculated using income after tax denominated in USD; assumes tax rate of 30% in 2014 and 26% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

2

Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

			in		% change
	2014	2013	2012	14 / 13	13 / 12
Net revenue detail (CHF million)					
Debt underwriting	1,777	1,902	1,617	(7)	18
Equity underwriting	870	766	552	14	39
Total underwriting	2,647	2,668	2,169	(1)	23
Advisory and other fees	748	658	1,042	14	(37)
Total underwriting and advisory	**3,395**	**3,326**	**3,211**	2	4
Fixed income sales and trading	4,967	4,823	5,349	3	(10)
Equity sales and trading	4,591	4,750	4,330	(3)	10
Total sales and trading	**9,558**	**9,573**	**9,679**	0	(1)
Other	(438)	(334)	(332)	31	1
Net revenues	**12,515**	**12,565**	**12,558**	0	0
Average one-day, 98% risk management Value-at-Risk (CHF million)					
Interest rate	12	18	27	(33)	(33)
Credit spread	32	35	46	(9)	(24)
Foreign exchange	10	9	15	11	(40)
Commodity	2	2	3	0	(33)
Equity	19	16	23	19	(30)
Diversification benefit	(32)	(39)	(59)	(18)	(34)
Average one-day, 98% risk management Value-at-Risk	**43**	**41**	**55**	5	(25)

Key performance indicators

We target a divisional cost/income ratio of 70% for the Investment Banking division. The cost/income ratio was 84.9% in 2014, compared to 86.2% in 2013 and 84.2% in 2012. The cost/income ratio for our strategic results was 71.1% in 2014, compared to 70.2% in 2013 and 74.1% in 2012.

> Refer to "Key performance indicators" in Core Results for further information.

Strategic and non-strategic results

in / end of	Strategic results 2014	2013	2012	Non-strategic results 2014	2013	2012	Investment Banking 2014	2013	2012
Statements of operations (CHF million)									
Net revenues	**13,087**	**13,096**	**13,277**	**(572)**	**(531)**	**(719)**	**12,515**	**12,565**	**12,558**
Provision for credit losses	**38**	**7**	**(11)**	**23**	**6**	**(1)**	**61**	**13**	**(12)**
Compensation and benefits	5,494	5,267	5,808	155	168	262	5,649	5,435	6,070
Total other operating expenses	3,811	3,928	4,025	1,164	1,470	473	4,975	5,398	4,498
Total operating expenses	**9,305**	**9,195**	**9,833**	**1,319**	**1,638**	**735**	**10,624**	**10,833**	**10,568**
Income/(loss) before taxes	**3,744**	**3,894**	**3,455**	**(1,914)**	**(2,175)**	**(1,453)**	**1,830**	**1,719**	**2,002**
Balance sheet statistics (CHF million, except where indicated)									
Risk-weighted assets – Basel III	149,849	136,946	147,135	9,966	18,344	23,720	159,815	155,290	170,855
Risk-weighted assets – Basel III (USD)	151,420	153,898	160,785	10,070	20,615	25,921	161,490	174,513	186,706
Total assets	506,820	492,829	542,424	22,224	26,883	36,071	529,044	519,712	578,495
Swiss leverage exposure	722,037	665,953	–	63,799	78,267	–	785,836	744,220	–
Swiss leverage exposure (USD)	729,607	748,388	–	64,468	87,955	–	794,075	836,343	–

Strategic results

OVERVIEW

The Investment Banking division delivered consistent results in 2014 on stable revenues and lower capital usage, reflecting the strength of our diversified franchise. For 2014, our strategic businesses reported income before taxes of CHF 3,744 million compared to income before taxes of CHF 3,894 million in 2013. Net revenues were CHF 13,087 million compared to CHF 13,096 million in 2013.

Full-year 2014 results

In 2014, strategic revenues reflected the recognition of >>>FVA of CHF 108 million. Revenues were stable as higher results in our fixed income sales and trading and underwriting and advisory franchises were offset by lower results in equity sales and trading. Fixed income sales and trading revenues increased 4% compared to 2013, driven by continued momentum in our securitized products franchise and a rebound in emerging markets revenues. Equity sales and trading revenues declined 5%, reflecting less favorable trading conditions, such as low volumes and low levels of volatility in the year and following strong 2013 performance. The declines were partially offset by higher revenues in prime services, reflecting a strong market share, continued portfolio optimization and increased trading and clearing activity. >>>Derivatives revenues were also robust, reflecting strong client activity and our strategy to diversify the business across products and regions. Underwriting and advisory results increased slightly, reflecting strong equity underwriting issuance, particularly initial public offerings (IPO), and higher mergers and acquisitions (M&A) activity, mostly offset by lower debt underwriting results.

Total operating expenses of CHF 9,305 million were stable compared to 2013. Compensation and benefits increased 4% to CHF 5,494 million, reflecting higher deferred compensation expense from prior-year awards and higher discretionary compensation expenses. Total other operating expenses of CHF 3,811 million were down 3% compared to 2013.

Full-year 2013 results

For 2013, our strategic business reported income before taxes of CHF 3,894 million compared to CHF 3,455 million in 2012. Results were stronger compared to 2012, reflecting higher revenues in equity sales and trading and underwriting and advisory franchises. Revenues in our strategic businesses were slightly lower as strong performance

in our equities, credit and underwriting franchises were offset by lower rates and advisory results. Fixed income sales and trading revenues declined 14% compared to 2012, reflecting difficult trading conditions across most fixed income businesses.

Equity sales and trading revenues increased 13%, reflecting continued market leadership and increased client activity notwithstanding reduced capital usage. Underwriting and advisory results increased, reflecting significantly higher debt and equity underwriting results. These increases were partially offset by significantly lower advisory revenues, reflecting a decline in the total industry M&A fee pool.

Total operating expenses were CHF 9,195 million, down 6% from 2012. Compensation and benefits of CHF 5,267 million decreased by 9%, from 2012. Total other operating expenses of CHF 3,928 million were down 2% compared to 2012.

Strategic results

		in / end of		% change	
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Debt underwriting	1,777	1,902	1,617	(7)	18
Equity underwriting	870	765	552	14	39
Total underwriting	2,647	2,667	2,169	(1)	23
Advisory and other fees	749	658	1,042	14	(37)
Total underwriting and advisory	**3,396**	**3,325**	**3,211**	2	4
Fixed income sales and trading	5,457	5,232	6,113	4	(14)
Equity sales and trading	4,625	4,847	4,285	(5)	13
Total sales and trading	**10,082**	**10,079**	**10,398**	0	(3)
Other	(391)	(308)	(332)	27	(7)
Net revenues	**13,087**	**13,096**	**13,277**	0	(1)
Provision for credit losses	**38**	**7**	**(11)**	443	–
Compensation and benefits	5,494	5,267	5,808	4	(9)
General and administrative expenses	2,957	3,048	3,109	(3)	(2)
Commission expenses	854	880	916	(3)	(4)
Total other operating expenses	3,811	3,928	4,025	(3)	(2)
Total operating expenses	**9,305**	**9,195**	**9,833**	1	(6)
Income before taxes	**3,744**	**3,894**	**3,455**	(4)	13
Statement of operations metrics (%)					
Return on regulatory capital [1]	16.8	17.3	–	–	–
Cost/income ratio	71.1	70.2	74.1	–	–
Pre-tax income margin	28.6	29.7	26.0	–	–
Balance sheet statistics (CHF million, except where indicated)					
Risk-weighted assets – Basel III	149,849	136,946	147,135	9	(7)
Risk-weighted assets – Basel III (USD)	151,420	153,898	160,785	(2)	(4)
Total assets	506,820	492,829	542,424	3	(9)
Swiss leverage exposure	722,037	665,953	–	8	–
Swiss leverage exposure (USD)	729,607	748,388	–	(3)	–

1
Calculated using income after tax denominated in USD; assumes tax rate of 30% in 2014 and 28% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

Capital metrics

Investment Banking made continued progress in improving capital efficiency. As of the end of 2014, our strategic businesses reported >>>risk-weighted assets under >>>Basel III of USD 151 billion and Swiss leverage exposure of USD 730 billion. As of the end of 2013, we reported risk-weighted assets under Basel III of USD 154 billion and Swiss leverage exposure of USD 748 billion.

The following provides a comparison of our strategic 2014 results versus 2013 and 2013 results versus 2012. Share of wallet refers to our share of the overall fee pool for the respective products.

Net revenues

Debt underwriting

2014 vs 2013: Down 7% from CHF 1,902 million to CHF 1,777 million

The decrease was primarily driven by weakness in structured lending in emerging markets and lower revenues from our investment grade business. Leveraged finance revenues were stable.

2013 vs 2012: Up 18% from CHF 1,617 million to CHF 1,902 million

The increase was driven by higher revenues in emerging markets, particularly in structured lending. We also had higher investment grade revenues, driven by market share gains and strong leveraged finance results, as robust high yield industry-wide issuance volumes offset lower market share.

Equity underwriting

2014 vs 2013: Up 14% from CHF 765 million to CHF 870 million

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

2013 vs 2012: Up 39% from CHF 552 million to CHF 765 million

The improvement was driven by strong performance across most major equity markets. We had significantly higher revenues from IPOs and follow-on offerings, as higher industry-wide issuance activity more than offset lower market share for both products.

Advisory and other fees

2014 vs 2013: Up 14% from CHF 658 million to CHF 749 million

We had higher revenues, reflecting an increase in the overall M&A fee pool and more favorable market conditions.

2013 vs 2012: Down 37% from CHF 1,042 million to CHF 658 million

The decrease was primarily due to significantly lower M&A fees reflecting a decline in the total industry fee pool, which more than offset higher completed M&A market share and higher completed M&A volumes.

Fixed income sales and trading

2014 vs 2013: Up 4% from CHF 5,232 million to CHF 5,457 million

We had higher revenues primarily driven by strong performance in securitized products, reflecting growth across trading and origination from our efforts to diversify the franchise. Emerging markets revenues rebounded, reflecting higher financing client activity across regions. 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. Our results also include the adverse impact of the recognition of FVA of CHF 95 million in the fourth quarter of 2014.

2013 vs 2012: Down 14% from CHF 6,113 million to CHF 5,232 million

Fixed income sales and trading revenues declined significantly, reflecting difficult trading conditions across many businesses. Global macro products revenues declined substantially, primarily driven by significantly weaker results from our rates franchise, reflecting reduced client activity and low trading volumes. Emerging markets revenues decreased, driven by lower trading and financing activity, reflecting less favorable market conditions. Securitized products revenues decreased as higher asset finance origination was more than offset by lower agency security trading activities. Corporate lending revenues also declined. These declines were partially offset by increased global credit products revenues, reflecting strong leveraged finance revenues. At the end of 2013, fixed income risk-weighted assets under Basel III totaled USD 88 billion, a reduction of USD 9 billion, or 9%, from the prior year.

Equity sales and trading

2014 vs 2013: Down 5% from CHF 4,847 million to CHF 4,625 million

We had lower revenues results, reflecting less favorable trading conditions, such as low volumes and low levels of volatility in the year. Additionally, 2013 results benefited from quantitative easing in Japan. 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. Our results also include the adverse

impact of the recognition of the FVA of CHF 13 million in the fourth quarter of 2014. 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. We also had higher derivatives revenues, reflecting strong client activity and our strategy to diversify the business across products and regions, particularly in Asia Pacific.

2013 vs 2012: Up 13% from CHF 4,285 million to CHF 4,847 million

The increased results reflected continued market leadership, higher equity values and increased client activity during the year. The increases were driven by substantially higher derivatives revenues due to robust client activity and strong performance in Asia. We also had higher results from systematic market making driven by improved global coverage and significant market events, including quantitative easing in Japan and strong US equity markets that resulted in higher global equity volumes. Cash equities revenues increased, driven by market share gains in the US and Europe and more favorable trading conditions. Prime services revenues were resilient, albeit lower, reflecting sustained market leadership and increased client balances.

Operating expenses

Compensation and benefits

2014 vs 2013: Up 4% from CHF 5,267 million to CHF 5,494 million

Compensation and benefits increased, reflecting higher deferred compensation expense from prior-year awards and higher discretionary compensation expenses.

2013 vs 2012: Down 9% from CHF 5,808 million to CHF 5,267 million

The decrease was primarily driven by lower deferred compensation expense from prior-year awards, as 2012 included 2011 Partner Asset Facility (PAF2) expenses of CHF 411 million, and lower salaries and other employee benefits, reflecting lower headcount.

General and administrative expenses

2014 vs 2013: Down 3% from CHF 3,048 million to CHF 2,957 million

The decrease was driven by lower infrastructure costs and lower UK Bank levy expenses, partially offset by higher litigation costs.

2013 vs 2012: Down 2% from CHF 3,109 million to CHF 3,048 million

The decrease was primarily driven by lower litigation provisions and lower technology costs.

Non-strategic results

Overview

Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, commodities trading business, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.

Full-year 2014 results

In 2014, we transferred our commodities trading business into our non-strategic unit and exited it through a sale to further maximize franchise profitability. We made progress in winding-down our non-strategic unit, including reducing >>>Basel III risk-weighted assets, Swiss leverage exposure and costs in light of our goal to redeploy resources to growth initiatives in high-returning businesses. Results reflected negative net revenues of CHF 572 million in 2014, including >>>FVA of CHF 171 million, compared to negative net revenues of CHF 531 million in 2013. Total operating expenses decreased, primarily driven by higher litigation provisions in 2013 in connection with mortgage-related matters, including the FHFA settlement.

Full-year 2013 results

In 2013, results reflected negative net revenues of CHF 531 million compared to negative net revenues of CHF 719 million in 2012, driven by portfolio valuation gains and lower funding costs. Total operating expenses increased, primarily driven by significantly higher litigation provisions, primarily in connection with mortgage-related matters.

Capital metrics

In 2014, we reduced >>>risk-weighted assets under Basel III by USD 11 billion to USD 10 billion from the end of 2013. This compares to our target of USD 6 billion by year-end 2015. Additionally, we reported Swiss leverage exposure of USD 64 billion reflecting a decrease of USD 23 billion from the end of 2013. This compares to our target of USD 24 billion in Swiss leverage exposure by year-end 2015.

Non-strategic results

		in / end of		% change	
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**(572)**	**(531)**	**(719)**	8	(26)
Provision for credit losses	**23**	**6**	**(1)**	283	–
Compensation and benefits	155	168	262	(8)	(36)
Total other operating expenses	1,164	1,470	473	(21)	211
of which litigation	860	1,223	192	(30)	–
Total operating expenses	**1,319**	**1,638**	**735**	(19)	123
Income/(loss) before taxes	**(1,914)**	**(2,175)**	**(1,453)**	(12)	50
Revenue details (CHF million)					
Fixed income wind-down	(320)	(32)	(597)	–	(95)
Legacy rates business	(79)	12	40	–	(70)
Legacy funding costs	(148)	(381)	(395)	(61)	(4)
Other	(25)	(130)	233	(81)	–
Net revenues	**(572)**	**(531)**	**(719)**	**8**	**(26)**
Balance sheet statistics (CHF million, except where indicated)					
Risk-weighted assets – Basel III	9,966	18,344	23,720	(46)	(23)
Risk-weighted assets – Basel III (USD)	10,070	20,615	25,921	(51)	(20)
Total assets	22,224	26,883	36,071	(17)	(25)
Swiss leverage exposure	63,799	78,267	–	(18)	–
Swiss leverage exposure (USD)	64,468	87,955	–	(27)	–

The following provides a comparison of our non-strategic 2014 results versus 2013 and 2013 results versus 2012.

Net revenues

2014 vs 2013: From CHF 531 million to CHF 572 million

The increased negative net revenues reflected the recognition of FVA of CHF 171 million, which was partially offset by better results and lower funding costs from proactive management of both our legacy debt instruments and trading assets.

2013 vs 2012: From CHF 719 million to CHF 531 million

We had reduced negative net revenues reflecting significant valuation gains in our fixed income wind-down portfolio driven by various portfolio management measures and lower funding costs. At the end of 2013, risk-weighted assets under Basel III totaled USD 21 billion, a reduction of USD 5 billion from 2012.

Total operating expenses

2014 vs 2013: Down 19% from CHF 1,638 million to CHF 1,319 million

The decrease was driven by lower litigation provisions, primarily in connection with mortgage-related matters.

2013 vs 2012: Up 123% from CHF 735 million to CHF 1,638 million

The increase was driven by significantly higher litigation provisions, primarily CHF 1,223 million in connection with mortgage-related matters in 2013, including in connection with the March 2014 FHFA settlement.

Corporate Center

In 2014, we recorded a loss before taxes of CHF 686 million compared to a loss before taxes of CHF 1,455 million in 2013, primarily reflecting business realignment costs, IT architecture simplification expenses and reclassifications to discontinued operations, partially offset by fair value gains from movements in own credit spreads and gains on sales of real estate.

Corporate Center results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**663**	**(790)**	**(2,781)**	–	(72)
Provision for credit losses	**2**	**2**	**0**	–	–
Compensation and benefits	677	455	636	49	(28)
General and administrative expenses	668	196	464	241	(58)
Commission expenses	2	12	8	(83)	50
Total other operating expenses	670	208	472	222	(56)
Total operating expenses	**1,347**	**663**	**1,108**	103	(40)
Loss before taxes	**(686)**	**(1,455)**	**(3,889)**	(53)	(63)
Balance sheet statistics (CHF million)					
Risk-weighted assets – Basel III[1]	16,172	15,306	16,590	6	(8)
Total assets	45,248	32,979	33,449	37	(1)
Swiss leverage exposure	47,058	38,601	–	22	–

1

Represents risk-weighted assets on a fully phased-in "look-through" basis.

Strategic and non-strategic results

	Strategic results			Non-strategic results			Corporate Center		
in	2014	2013	2012	2014	2013	2012	2014	2013	2012
Statements of operations (CHF million)									
Net revenues	**(69)**	**(55)**	**(235)**	**732**	**(735)**	**(2,546)**	**663**	**(790)**	**(2,781)**
Provision for credit losses	**2**	**2**	**0**	**0**	**0**	**0**	**2**	**2**	**0**
Compensation and benefits	281	153	148	396	302	488	677	455	636
Total other operating expenses	328	138	151	342	70	321	670	208	472
Total operating expenses	**609**	**291**	**299**	**738**	**372**	**809**	**1,347**	**663**	**1,108**
Income/(loss) before taxes	**(680)**	**(348)**	**(534)**	**(6)**	**(1,107)**	**(3,355)**	**(686)**	**(1,455)**	**(3,889)**

Results overview

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. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate inter–company revenues and expenses.

Corporate Center separately presents non-strategic items, which management does not consider representative of our core performance. Such items include the valuation impacts from movements in credit spreads on our own liabilities carried at >>>fair value, certain business realignment costs and IT architecture simplification expenses, certain litigation provisions, business wind-down costs and impairments not included in the divisional non-strategic units and legacy funding costs associated with non-Basel III compliant debt instruments not included in the results of the Investment Banking non-strategic unit. Strategic business division realignment costs are reported in the Corporate Center, while non-strategic business division realignment costs are reported directly in the relevant divisional non-strategic unit.

The following provides a comparison of our 2014 results versus 2013 and 2013 results versus 2012.

Income/(loss) before taxes

2014 vs 2013: From CHF (1,455) million to CHF (686) million

Improved results mainly reflected fair value gains on own credit spreads of CHF 545 million, compared to fair value losses on own credit spreads of CHF 315 million in 2013. The fair value gains on own long-term vanilla debt reflected the widening of credit spreads on senior and subordinated debt across most currencies. 2014 results also included higher gains on sales of real estate of CHF 414 million in 2014, compared to CHF 68 million in 2013, and losses of CHF 143 million comprising reclassifications to discontinued operations of revenues and expenses relating to the sales of CFIG and our domestic private banking business booked in Germany, which were completed in 2014. 2013 results included losses from reclassifications to discontinued operations of CHF 220 million. These positive impacts on 2014 results were partly offset by higher IT architecture simplification costs of CHF 293 million, compared to CHF 128 million in 2013, and higher business realignment costs of CHF 473 million, compared to CHF 394 million in 2013.

2013 vs 2012: From CHF (3,889) million to CHF (1,455) million

Improved results mainly reflected lower fair value losses on own credit spreads of CHF 315 million, compared to CHF 2,939 million in 2012. The fair value losses on own long-term vanilla debt reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. 2013 results also included lower business realignment costs of CHF 394 million, compared to CHF 680 million in 2012. Business realignment costs in 2013 primarily consisted of severance and other compensation expenses relating to Group-wide cost efficiency initiatives. 2012 results included litigation provisions related to National Century Financial Enterprises, Inc. (NCFE), with no litigation provisions in Corporate Center in 2013. These positive impacts on 2013 results were partly offset by lower gains on sale of real estate of CHF 68 million in 2013, compared to CHF 533 million in 2012, and IT architecture simplification costs of CHF 128 million in 2013. Additionally, Corporate Center's 2013 results included losses of CHF 220 million comprising reclassifications to discontinued operations of revenues and expenses relating to the

2013 sales of our ETF business, Strategic Partners, our secondary private equity business, CFIG and our domestic private banking business booked in Germany.

Non-strategic results

			in / end of		% change
	2014	2013	2012	14 / 13	13 / 12
Statements of operations (CHF million)					
Net revenues	**732**	**(735)**	**(2,546)**	–	(71)
Provision for credit losses	**0**	**0**	**0**	–	–
Total operating expenses	**738**	**372**	**809**	98	(54)
Income/(loss) before taxes	**(6)**	**(1,107)**	**(3,355)**	(99)	(67)
of which fair value impact from movements in own credit spreads	545	(315)	(2,939)	–	(89)
of which realignment costs [1]	(473)	(394)	(680)	20	(42)
of which IT architecture simplification expenses	(293)	(128)	0	129	–
of which real estate sales	414	68	533	–	(87)
of which litigation provisions	21	0	(227)[2]	–	100
of which legacy funding costs [3]	(71)	(57)	(85)	25	(33)
of which reclassifications to discontinued operations [4]	(143)	(220)	9	(35)	–
of which other non-strategic items	(6)	(61)	34	(90)	–

1
Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in the fourth quarter of 2013.
2
Represents litigation provisions related to NCFE.
3
Represents legacy funding costs associated with non-Basel III compliant debt instruments.
4
Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of our ETF, secondary private equity and CFIG businesses and our domestic private banking business booked in Germany.

Impact from movements in own credit spreads

Our Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and >>>debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at >>>fair value. Our Core Results are also impacted by fair value gains/(losses) on stand-alone >>>derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

in	2014	2013	2012
Impact from movements in own credit spreads (CHF million)			
Fair value gains/(losses) from movements in own credit spreads	**545**	**(315)**	**(2,939)**
of which fair value gains/(losses) on own long-term vanilla debt	336	(268)	(1,663)
of which fair value gains/(losses) from DVA on structured notes	261	(130)	(958)
of which fair value gains/(losses) on stand-alone derivatives	(52)	83	(318)

Assets under management

As of December 31, 2014, assets under management from continuing operations were CHF 1,377.3 billion, up 9.9% compared to December 31, 2013, primarily reflecting favorable foreign exchange-related movements, positive market movements and net new assets of CHF 30.2 billion, partially offset by structural effects, primarily from the sales of businesses.

Assets under management

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

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic business are reported in each applicable business and eliminated at the divisional level.

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

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

> Refer to “Private Banking & Wealth Management” and “Note 37 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group for further information on assets under management.

Assets under management and client assets

			end of		% change
	2014	2013	2012	14 / 13	13 / 12
Assets under management (CHF billion)					
Wealth Management Clients	874.5	790.7	758.0	10.6	4.3
Corporate & Institutional Clients	275.9	250.0	223.8	10.4	11.7
Asset Management [1]	388.5	352.3	325.3	10.3	8.3
Non-strategic	10.8	44.4	84.7	(75.7)	(47.6)
Assets managed across businesses [2]	(172.4)	(155.0)	(141.0)	11.2	9.9
Assets under management	**1,377.3**	**1,282.4**	**1,250.8**	7.4	2.5
of which continuing operations	1,377.3	1,253.4	1,197.8	9.9	4.6
of which discontinued operations	0.0	29.0	53.0	(100.0)	(45.3)
Assets under management from continuing operations	**1,377.3**	**1,253.4**	**1,197.8**	9.9	4.6
of which discretionary assets	429.0	397.6	365.5	7.9	8.8
of which advisory assets	948.3	855.8	832.3	10.8	2.8
Client assets (CHF billion) [3]					
Wealth Management Clients	1,002.1	904.5	870.1	10.8	4.0
Corporate & Institutional Clients	376.2	353.3	323.0	6.5	9.4
Asset Management [1]	388.5	352.3	325.3	10.3	8.3
Non-strategic	18.1	51.8	88.0	(65.1)	(41.1)
Assets managed across businesses [2]	(172.4)	(155.0)	(141.0)	11.2	9.9
Client assets [3]	**1,612.5**	**1,506.9**	**1,465.4**	7.0	2.8
of which continuing operations	1,612.5	1,477.5	1,411.8	9.1	4.7
of which discontinued operations	0.0	29.4	53.6	(100.0)	(45.1)

1

Excludes our portion of assets under management from our former investment in Aberdeen.

2

Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

3

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (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	2014	2013	2012
Growth in assets under management (CHF billion)			
Net new assets from continuing operations	**30.2**	**36.1**	**11.4**
Net new assets from discontinued operations	(2.0)	(4.0)	(0.6)
Net new assets	**28.2**	**32.1**	**10.8**
of which Wealth Management Clients	27.5	18.9	20.6
of which Corporate & Institutional Clients	5.5	8.8	1.5
of which Asset Management [1]	3.7	15.0	(8.3)
of which non-strategic	(8.2)	(5.9)	(2.1)
of which assets managed across businesses [2]	(0.3)	(4.7)	(0.9)
Other effects from continuing operations	**93.7**	**19.5**	**52.9**
Other effects from discontinued operations	(27.0)	(20.0)	1.9
Other effects	**66.7**	**(0.5)**	**54.8**
of which Wealth Management Clients	56.3	13.8	27.8
of which Corporate & Institutional Clients	20.4	17.4	19.3
of which Asset Management	32.5	12.0	14.6
of which non-strategic	(25.4)	(34.4)	2.2
of which assets managed across businesses [2]	(17.1)	(9.3)	(9.1)
Growth in assets under management from continuing operations	**123.9**	**55.6**	**64.3**
Growth in assets under management from discontinued operations	(29.0)	(24.0)	1.3
Growth in assets under management	**94.9**	**31.6**	**65.6**
of which Wealth Management Clients	83.8	32.7	48.4
of which Corporate & Institutional Clients	25.9	26.2	20.8
of which Asset Management [1]	36.2	27.0	6.3
of which non-strategic	(33.6)	(40.3)	0.1
of which assets managed across businesses [2]	(17.4)	(14.0)	(10.0)
Growth in assets under management (%)			
Net new assets from continuing operations	**2.4**	**3.0**	**1.0**
Net new assets from discontinued operations	(6.9)	(7.5)	(1.2)
Net new assets	**2.2**	**2.5**	**0.9**
of which Wealth Management Clients	3.5	2.5	2.9
of which Corporate & Institutional Clients	2.2	3.9	0.7
of which Asset Management [1]	1.1	4.6	(2.6)
of which non-strategic	(18.5)	(7.0)	(2.5)
of which assets managed across businesses [2]	0.2	3.3	0.7
Other effects from continuing operations	**7.5**	**1.6**	**4.7**
Other effects from discontinued operations	(93.1)	(37.8)	3.6
Other effects	**5.4**	**0.0**	**4.6**
of which Wealth Management Clients	7.1	1.8	3.9
of which Corporate & Institutional Clients	8.2	7.8	9.5
of which Asset Management	9.2	3.7	4.6
of which non-strategic	(57.2)	(40.6)	2.6
of which assets managed across businesses [2]	11.0	6.6	6.9
Growth in assets under management from continuing operations	**9.9**	**4.6**	**5.7**
Growth in assets under management from discontinued operations	(100.0)	(45.3)	2.4
Growth in assets under management	**7.6**	**2.5**	**5.5**

of which Wealth Management Clients	10.6	4.3	6.8
of which Corporate & Institutional Clients	10.4	11.7	10.2
of which Asset Management [1]	10.3	8.3	2.0
of which non-strategic	(75.7)	(47.6)	0.1
of which assets managed across businesses [2]	11.2	9.9	7.6

1
Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
2
Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.
91

In 2014, assets under management from continuing operations of CHF 1,377.3 billion increased by CHF 123.9 billion, or 9.9%, compared to the end of 2013, primarily reflecting favorable foreign exchange-related movements, positive market movements and net new assets of CHF 30.2 billion, partially offset by structural effects, primarily from the sales of businesses.

In our strategic portfolio, Wealth Management Clients contributed assets under management of CHF 874.5 billion, which increased 10.6% compared to the end of 2013, reflecting favorable exchange-related movements, primarily resulting from the appreciation of the US dollar, net new assets of CHF 27.5 billion and positive market movements. In Corporate & Institutional Clients in Switzerland, assets under management of CHF 275.9 billion increased CHF 25.9 billion, or 10.4%, compared to the end of 2013, mainly driven by positive market movements and CHF 5.5 billion of net new assets. In Asset Management, assets under management were CHF 388.5 billion, an increase of CHF 36.2 billion, or 10.3%, compared to the end of 2013, reflecting positive market movements, favorable exchange-related movements and net new assets of CHF 3.7 billion, partially offset by outflows of CHF 9.2 billion of assets that resulted from the change of management of funds from Hedging-Griffo to a new venture in Brazil, Verde Asset Management, in which we have a significant investment, and outflows in traditional products.

In our non-strategic portfolio, assets under management declined 75.7% to CHF 10.8 billion mainly reflecting the sale of CFIG and of our domestic private banking business booked in Germany.

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.

In 2014, we recorded net new assets from continuing operations of CHF 30.2 billion.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 27.5 billion, primarily with inflows from emerging markets and our >>>UHNWI client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 5.5 billion. Asset Management reported net new assets of CHF 3.7 billion, with inflows from a joint venture in emerging markets and in index and credit products partially offset by outflows relating to Verde Asset Management and outflows in traditional products.

In our non-strategic portfolio, net asset outflows of CHF 8.2 billion reflected the exit of certain businesses, of which CHF 2.0 billion were classified as discontinued operations.

Net new assets

in	2014	2013	2012
Net new assets (CHF billion)			
Wealth Management Clients	27.5	18.9	20.6
Corporate & Institutional Clients	5.5	8.8	1.5
Asset Management	3.7	15.0	(8.3)
Non-strategic	(8.2)	(5.9)	(2.1)
Assets managed across businesses [1]	(0.3)	(4.7)	(0.9)
Net new assets	**28.2**	**32.1**	**10.8**
of which continuing operations	30.2	36.1	11.4
of which discontinued operations	(2.0)	(4.0)	(0.6)

1

Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

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 equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and >>>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 Investment Banking and in Private Banking & Wealth Management's Asset Management business. 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 34 – 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 33 – 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 quarter to determine the adequacy of our litigation provisions and may increase or release provisions based on management's judgment

93

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 38 – 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 18 – 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 & institutional loans portfolio, the Group segregates loans by risk, industry or country rating. The methodology for Investment Banking 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 18 – 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. In Private Banking & Wealth Management, Wealth Management Clients, Corporate & Institutional Clients, Asset Management and Private Banking & Wealth Management's non-strategic unit are considered to be reporting units. Investment Banking is considered to be one reporting unit.
With the adoption of Accounting Standards Update 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), on January 1, 2012 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, cumulative translation adjustments, 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, 2014, such residual equity was equal to CHF 9,215 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 three-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 anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's reporting units may result in a goodwill impairment in the future.

An estimated balance sheet for each reporting unit is prepared on a quarterly basis. 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.
Based on our goodwill impairment analysis performed as of December 31, 2014, we concluded that the estimated fair value for the reporting units in the Private Banking & Wealth Management division with goodwill substantially exceeded their related carrying values and no impairment was necessary as of December 31, 2014.
There was no impairment necessary for our Investment Banking reporting unit as the estimated fair value substantially exceeded its carrying value. The Group engaged the services of an independent valuation specialist to assist in the valuation of the reporting unit as of December 31, 2014 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.
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 sufficient 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 20 – 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 27 – 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, the UK 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, UK tax law allows for an unlimited 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 27 – 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, 2014 included an amount related to our assumption for future salary increases of CHF 621 million, compared to CHF 488 million as of December 31, 2013. 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 932 million for 2014, compared to an overfunding of CHF 2,091 million for 2013.
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 2014 and 2013 was 3.75% and 4.00%, respectively, for the Swiss plans and 6.16% and 6.18%, respectively, for the international plans. In 2014, 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 146 million and net pension expense for the international plans would have decreased/increased CHF 29 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 1.35 percentage points from 2.60% as of December 31, 2013, to 1.25% as of December 31, 2014, mainly due to a decrease in Swiss bond market rates. The average discount rate used for international plans decreased 0.89 percentage points from 4.71% as of December 31, 2013, to 3.82% as of December 31, 2014, mainly due to a decrease in bond market rates in the eurozone, the US and the UK. The discount rate affects both the pension expense and the PBO. For the year ended December 31, 2014, a one percentage point decline in the discount rate for the Swiss plans would have resulted in an increase in the PBO of CHF 2,108 million and an increase in pension expense of CHF 147 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,841 million and a decrease in the pension expense of CHF 114 million. A one percentage point decline in the discount rate for the international plans as of December 31, 2014 would have resulted in an increase in the PBO of CHF 755 million and an increase in pension expense of CHF 57 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 608 million and a decrease in the pension expense of CHF 50 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, 2014, was approximately nine 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, 2014, 2013 and 2012 was CHF 102 million, CHF 245 million and CHF 165 million, respectively. The amortization of recognized actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2015, which is assessed at the beginning of the year, is expected to be CHF 267 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 2015.
> Refer to “Note 30 – 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 2014, 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 3.82%. In 2014, 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 6.16%.

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, 2014, 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 1.25% and 2.60%, respectively. For the year ended December 31, 2014, 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 3.82% and 4.71%, 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 755 million and an increase in pension expense of CHF 57 million, and a one percentage point increase in the discount rate would have resulted in a decrease in PBO of CHF 608 million and a decrease in pension expense by CHF 50 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, 2014, 2013 and 2012 was CHF 52 million, CHF 79 million and CHF 73 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2015, which is assessed at the beginning of the year, is expected to be CHF 58 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

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Liquidity and funding management

During 2014, 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 are issued primarily by the Bank, our principal operating subsidiary and a US registrant. 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 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 funding and liquidity 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

Our current liquidity principles as agreed with >>>FINMA, following its consultation with the Swiss National Bank (SNB), were implemented in April 2010 and March 2011. These principles are designed to ensure that the Group and the Bank have adequate holdings on a consolidated basis of liquid, unencumbered, high-quality securities available in a crisis situation for designated periods of time.

Basel III liquidity framework

In December 2010, the >>>Basel Committee on Banking Supervision (BCBS) issued the >>>Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a >>>liquidity coverage ratio (LCR) and a >>>net stable funding ratio (NSFR).

In January 2014, the BCBS issued final LCR rules and disclosure requirements that are to be implemented as part of banks' regular disclosures after January 1, 2015. The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of 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 the stock 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%, which will increase by 10% for each of the next four years, 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 rules retain the structure of the January 2014 BCBS consultative proposal with key changes related to short-term exposures to banks and other financial institutions, >>>derivative exposures and assets posted as initial margin for derivative contracts. In addition, the final standard recognizes that, under strict conditions, certain asset and liability items are interdependent and can therefore be viewed as neutral in terms of the NSFR. 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 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.

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 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 have been 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 us 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. Based on the new disclosure requirements we will be reporting the LCR publicly on a quarterly basis in 2015. Following the June 2014 revisions to the Liquidity Ordinance, beginning in the second quarter of 2014 we allocated the majority of the balance sheet usage related to a portfolio of high-quality liquid assets managed by our Treasury function and previously recorded in the Corporate Center 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. Prior periods have been restated for the related impact on assets and Swiss leverage exposures.

In October 2014, FINMA issued a revised circular related to 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 will require 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 will have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit.

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 liquidity barometer discussed below, to monitor our structural liquidity position, plan funding and as the basis for our funds transfer pricing policy. We estimate that our NSFR under the current FINMA framework was approximately 100% as of the end of 2014.

Our estimate is based on the definitions and methodologies outlined in the aforementioned >>>BCBS Basel III international framework for liquidity risk measurement, standards and monitoring issued in December 2010, the Liquidity Ordinance discussed above implementing the Basel III liquidity requirements into Swiss law, and other guidance and requirements of FINMA. Where requirements are unclear or left to be determined by FINMA, we have made our own interpretation and assumptions which may not be consistent with those of other financial institutions or what may ultimately be required FINMA. The NSFR is based on regulatory metrics, the disclosure of which is not yet required, and, as such, it represents a non-GAAP financial measure.

In parallel with the NSFR, we continue to 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 funding and liquidity. 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 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.

Our 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) 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 liquidity contingency plan provides for specific actions to be taken depending on the nature of the crisis. Our Treasurer activates the contingency plan upon receipt of various reports that pre-established trigger levels have been breached. Pre-defined further escalation ensures the involvement of senior management and CARMC, the delivery of information to regulators and the meeting of the funding execution committee, which establishes a specific action plan and coordinates business and funding activities. In all cases, the plan's priorities are to strengthen liquidity (immediate), reduce funding needs (medium term) and assess recovery options (longer term).

Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of cash and high-grade securities issued by governments and government agencies, which include sovereigns, central banks, public sector enterprises and multilateral development banks. A portion of the liquidity pool is generated through >>>reverse repurchase agreements with top-rated counterparties. Most of these liquid assets qualify as eligible assets under the BCBS liquidity standards. 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, also from short-term reverse repurchase agreements. These bonds are eligible as collateral for liquidity facilities with various central banks including the 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.

All securities, including those obtained from reverse repurchase agreements, are subject to a stress level >>>haircut in our barometer to reflect the risk that emergency funding may not be available at market value in a stress scenario.

We centrally manage this liquidity pool and hold it at our main operating entities. Holding securities in these entities ensures that we can make liquidity and funding available to local entities in need without delay.

As of December 31, 2014, our liquidity pool managed by Treasury had a market value of CHF 162.5 billion. The liquidity pool consisted of CHF 63.7 billion of cash held at major central banks, primarily the Fed, the SNB and the ECB, and CHF 98.8 billion of securities issued by governments and government agencies, primarily from the US, Britain, Germany, France and Switzerland. As of December 31, 2014, based on our internal model, the non-cash assets in our liquidity pool were subject to an average stress level haircut equal to approximately 7% of the market value of such assets. This average haircut represents 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. Compared to the haircut as of December 31, 2013, the 7% haircut is lower because the liquidity pool now excludes illiquid assets and the related impact of a 100% haircut previously applied to such assets.

In addition to the liquidity portfolio managed by Treasury, there is also a portfolio of unencumbered liquid assets managed by various businesses, primarily in Investment Banking. 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, 2014, the portfolio that is not managed by Treasury had a market value of CHF 29.1 billion, consisting of CHF 7.9 billion of high-grade bonds and CHF 21.2 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 18% is applied to these assets.

Liquidity pool managed by Treasury

December 31, 2014	Swiss franc	US dollar	Euro	Other currencies	Total
Liquidity pool by currencies (CHF billion)					
Cash held at central banks	31.5	29.6	1.3	1.3	63.7
Securities issued by governments and government agencies	4.6	66.6	17.1	10.5	98.8
Total liquidity pool managed by Treasury	**36.1**	**96.2**	**18.4**	**11.8**	**162.5**

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, according to their currency, tenor, geography and maturity, and whether they are secured or unsecured. A substantial portion of our balance sheet is >>>match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

Cash and due from banks and >>>reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 18% as of the end of 2014, compared to 22% as of the end of 2013, reflecting an increase in loans and 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 317 billion as of the end of 2014, an increase of 7% compared to CHF 297 billion as of the end of 2013 and an increase of 11% compared to CHF 285 billion as of the end of 2012, reflecting growth in the customer deposit base in Private Banking & Wealth Management in 2014 and 2013. 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 proved 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 and off-balance sheet" for further information.

103

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. Our average funding cost, which is allocated to the divisions, remained largely unchanged compared to the end of 2013.

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, as well as covered bonds. 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 (RWA) 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. The funding through non-consolidated special purpose entities (SPEs) and asset securitization activity is immaterial.

Contractual maturity of assets and liabilities

The following table provides contractual maturities of the assets and liabilities specified as of the end of 2014. 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 2014	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	72,820	1,993	1,480	114	0	2,942	79,349
Interest-bearing deposits with banks	0	408	415	321	51	49	1,244
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	63,227	67,224	19,953	11,727	872	205	163,208
Securities received as collateral, at fair value	25,973	881	0	0	0	0	26,854
Trading assets, at fair value	241,131	0	0	0	0	0	241,131
Investment securities	5	103	0	874	1,579	230	2,791
Other investments	947	0	0	51	428	7,187	8,613
Net loans	12,985	58,934	26,806	48,452	87,456	37,918	272,551
Premises and equipment	0	0	0	0	0	4,641	4,641
Goodwill	0	0	0	0	0	8,644	8,644
Other intangible assets	0	0	0	0	0	249	249
Brokerage receivables	41,629	0	0	0	0	0	41,629
Other assets	32,407	9,121	647	3,685	12,125	12,573	70,558
Total assets	**491,124**	**138,664**	**49,301**	**65,224**	**102,511**	**74,638**	**921,462**
Liabilities (CHF million)							
Due to banks	12,543	4,451	3,136	4,194	1,330	355	26,009
Customer deposits	248,038	29,457	46,025	41,638	3,311	589	369,058
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	20,363	22,563	14,662	11,625	834	72	70,119
Obligation to return securities received as collateral, at fair value	25,973	881	0	0	0	0	26,854
Trading liabilities, at fair value	72,655	0	0	0	0	0	72,655
Short-term borrowings	0	4,851	11,778	9,292	0	0	25,921
Long-term debt	0	3,972	7,866	17,797	88,288	59,975	177,898
Brokerage payables	56,977	0	0	0	0	0	56,977
Other liabilities	32,008	12,220	456	856	3,778	1,652	50,970
Total liabilities	**468,557**	**78,395**	**83,923**	**85,402**	**97,541**	**62,643**	**876,461**

> 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 32 – 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 from our own international covered bond program.

The following table provides information on long-term debt issuances, maturities and redemptions in 2014, excluding structured notes.

Debt issuances and redemptions

in 2014	Senior	Sub-ordinated	Long-term debt
Long-term debt (CHF billion, notional value)			
Issuances	**37.3**	**2.5**	**39.8**
of which unsecured	31.5	2.5	34.0
of which secured [1]	5.8	–	5.8
Maturities / Redemptions	**10.1**	**1.6**	**11.7**
of which unsecured	9.0	1.6	10.6
of which secured [1]	1.1	–	1.1

Excludes structured notes.

1

Includes covered bonds.

As of the end of 2014, we had outstanding long-term debt of CHF 178 billion, which included senior and subordinated instruments. We had CHF 50.5 billion and CHF 19.2 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2014 compared to CHF 34.8 billion and CHF 14.3 billion, respectively, as of the end of 2013. The weighted average maturity of long-term debt was 6.1 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 24 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information.

Short-term borrowings increased 28% to CHF 25.9 billion as of the end of 2014 compared to CHF 20.2 billion in 2013.

> 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 the 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 funding and liquidity policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends in our business.

For the year ended December 31, 2014, net cash used in operating activities of continuing operations was CHF 17.6 billion, primarily reflecting a decrease in other liabilities and an increase in trading assets and liabilities, partially offset by a decrease in other assets. 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, 2014, net cash of CHF 10.3 billion was used in investing activities from continuing operations, primarily due to an increase in loans, partially offset by a decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions.

Our financing activities primarily include the issuance of debt and receipt of customer deposits. We pay annual dividends on our common shares. In 2014, net cash provided by financing activities of continuing operations was CHF 33.3 billion, mainly reflecting the issuances of long-term debt and the increase in due to banks and customer deposits, partly offset by repayments of long-term debt and a decrease in central bank funds purchased, securities sold under >>>repurchase agreements and securities lending transactions.

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 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 1.3 billion, CHF 3.2 billion and CHF 4.4 billion, respectively, as of December 31, 2014, 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.

On February 3, 2015, Standard & Poor's downgraded a number of European bank groups, including Credit Suisse's holding company, Credit Suisse Group AG, which was downgraded one notch. The ratings of Credit Suisse's operating entities where most business activities are conducted, including Credit Suisse AG, remain unchanged at this time.

As of the end of 2014, we were compliant with the requirements related to maintaining a specific credit rating under these derivative instruments.

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

Capital management

As of the end of 2014, our CET1 ratio was 14.9% under Basel III and 10.1% on a look-through basis. Our RWA under Basel III increased CHF 17.6 billion to CHF 291.4 billion compared to the end of 2013 and our tier 1 capital increased CHF 3.7 billion to CHF 49.8 billion. Our Swiss leverage ratio was 4.9%.

Capital strategy and framework

Credit Suisse considers a strong and efficient capital position to be a priority. Through our capital strategy, we continue to strengthen our capital position and optimize the use of >>>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 subjected 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 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 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 participations in financial institutions) 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.

Basel III phase-in requirements for Credit Suisse

Effective January 1, for the applicable year	2014	2015	2016	2017	2018	2019
Capital ratios						
CET1	4.0% [1]	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	**4.0%**	**4.5%**	**5.5%**	**6.5%**	**7.5%**	**8.5%**
Additional tier 1	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Total tier 1	**5.5%**	**6.0%**	**7.0%**	**8.0%**	**9.0%**	**10.0%**
Tier 2	2.5% [1]	2.0%	2.0%	2.0%	2.0%	2.0%
Total capital	**8.0%**	**8.0%**	**9.0%**	**10.0%**	**11.0%**	**12.0%**
Phase-in deductions from CET1 [2]	20.0% [1]	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, certain deferred tax assets and participations in financial institutions.

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 ratio exposure) and the market share of our domestic systemically relevant business. Effective in 2014, FINMA set our progressive component requirement at 3.66% for 2019. In July 2014, FINMA notified us that, effective in 2015, the progressive component requirement for 2019 will be increased from 3.66% to 4.05% due to the latest assessment of our relevant market share. 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. As of the end of 2014, our countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 297 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

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.

Beginning in the first quarter of 2014, we adjusted the presentation of our Swiss capital metrics and terminology and we now refer to Swiss Core Capital as Swiss CET1 capital and Swiss Total Capital as Swiss total eligible capital. Swiss Total Capital previously reflected the tier 1 participation securities, which were fully redeemed in the first quarter of 2014. Swiss CET1 capital consists of BIS CET1 capital and certain other Swiss 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.

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). In 2014, the comprehensive risk measure model was discontinued due to the small size of the relevant trading portfolio to which it was applied.

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 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 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. In 2014, 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 for further information.

Regulatory developments and proposals

In December 2014, the group of experts appointed by the Swiss Federal Council on the further development of the financial market strategy (Brunetti Commission) issued its final report. 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 >>>total loss-absorbing capacity (TLAC) requirements so that sufficient regulatory capital and other loss-absorbing instruments are available to make recovery or orderly resolution possible. In February 2015, the report was adopted by the Swiss Federal Council.

In December 2014, the >>>BCBS published its final securitization framework standard, which will come into effect in January 2018. The standard promotes internal ratings-based approaches over the use of external ratings for determining risk weights of securitization exposures.

In December 2014, the BCBS issued its third consultative paper on the fundamental review of the trading book. The paper, which comprises a detailed set of proposals for a comprehensive revision of the market risk framework, is expected to be finalized by the end of 2015. It is expected to be effective January 1, 2018, at the earliest.

In November 2014, following the January 2014 publication by the BCBS, the standard setting committee within the >>>BIS, of the BIS leverage ratio framework, and its related disclosure requirements, >>>FINMA released its circular regarding the implementation of the leverage ratio requirements in Switzerland. While the calculation of the exposure is aligned with BCBS requirements, the FINMA leverage ratio continues to have to be at least 24% of each of the respective minimum, buffer and progressive component requirements applicable to Swiss systemically relevant banks. While FINMA allows banks to choose a one-year transition period, the Group has implemented the new leverage framework as of January 1, 2015. In January 2014, the BCBS issued the framework and disclosure requirements for the >>>Basel III leverage ratio. Under the BIS framework, the leverage ratio, which measures tier 1 capital against exposure, must be at least 3%. Although this leverage ratio will not become effective until 2018, banks will be required to disclose the ratio on a consolidated basis beginning in 2015, subject to implementation by national regulators.

In November 2014, the FSB, in consultation with the BCBS, published a consultative document proposing a global framework on TLAC requirements applicable to G-SIBs, such as Credit Suisse. The purpose of the proposed requirements 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 would 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% to 20% of a G-SIB's RWA. In addition, the minimum TLAC requirement must also be at least twice the capital required to meet the relevant tier 1 leverage ratio requirement. The TLAC framework is expected to be finalized in the second half of 2015 and become effective no sooner than January 2019.

In November 2014, FINMA confirmed that the implementation timeline in Switzerland for the previously issued BCBS final standards on equity investments in funds, counterparty credit risk, central counterparties and large exposures will be in line with the international timelines.

In April 2014, the BCBS finalized its large exposures framework standard, with implementation required by January 1, 2019. The standard calls for a limit on all of a bank's exposures to a single counterparty. In the case of G-SIBs like us, the limit is 15% of tier 1 capital.

In April 2014, the BCBS published its final standard for the capital treatment of bank exposures to central counterparties. The standard introduces a cap on capital charges applied to bank exposures to qualifying central counterparties. Disclosure requirements will be effective January 1, 2017.

In March 2014, the BCBS published a final standard on the treatment of counterparty credit risk associated with >>>derivative transactions. The new requirement will replace the current exposure method and the existing standardized method and will become effective January 1, 2017.

From January 1, 2014, the Capital Requirement Directive (CRD) IV package of legislation (comprising a directive and a regulation) will replace the current CRD directive with new measures implementing Basel III and other requirements. As part of the transition to CRD IV, the UK's Prudential Regulation Authority has reviewed the permissions of UK financial institutions, including those of our subsidiaries, to use their current internal modeling for capital calculation purposes as well as new models required for CRD IV compliance. The majority of the models for our subsidiaries were approved and certain models will require updates in line with the latest BCBS guidance and regulatory feedback on modeling techniques.

In accordance with BCBS's G-SIB loss absorbency requirements and FINMA's capital adequacy disclosure requirements, banks with a balance sheet exceeding EUR 200 billion must publish annually 12 financial indicators, such as size and complexity. Depending on these financial indicators, the FSB will set the progressive buffer for G-SIBs. The reporting requirement became effective December 31, 2013 and we included the required disclosures as of such date on our website as required before April 30, 2014.

In December 2013, the BCBS published its final standard on the treatment of banks' equity investments in funds held in the banking book, which requires banks to look through to the

fund's underlying assets in order to determine the risk weight of the bank's investment in the fund. Implementation of the standard is required by January 1, 2017.
In July 2013, the Fed, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) released final capital rules that overhaul the existing US bank regulatory capital rules and implement the Basel III framework and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The final rules are largely consistent with the Basel III framework published by the BCBS, although they diverge in several important respects due to requirements of the Dodd-Frank Act and do not address other, more recent aspects of the Basel III framework. In February 2014, the Fed adopted a rule under the Dodd-Frank Act that creates a new framework for regulation of the US operations of foreign banking organizations. The rule generally requires Credit Suisse to create a single US intermediate holding company (IHC) to hold all of its US subsidiaries with limited exceptions; this requirement will not apply to Credit Suisse AG's New York branch (New York Branch), but will apply to other Credit Suisse US entities. The IHC will be subject to local risk-based capital and leverage requirements. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the IHC and the New York Branch) will be subject to other new prudential requirements. The new framework's prudential requirements generally become effective in July 2016.
FINMA Decree
The SNB has previously designated the Group as a financial group of systemic importance under applicable Swiss law. Following that designation, in December 2013 the FINMA Decree was issued. In addition to the capital adequacy requirements described above, it also specified liquidity, risk diversification and disclosure requirements for the Bank parent company.
The FINMA Decree became effective February 2, 2014 and requires the Group to fully comply with the special requirements for systemically important banks set out in the Capital Adequacy Ordinance. 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 is 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 as of the end of March 31, 2014, which can be found on our website. In addition, the FINMA Decree requires the disclosure of the following forms of relief:
– **New approach to standalone 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 a current 16.66%, 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 avoids 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
In March 2014, employees holding 2011 Partner Asset Facility (PAF2) awards, which were restructured, reallocated a portion of their PAF2 holdings to Contingent Capital Awards (CCA). The PAF2 reallocation, together with CCA

granted in January 2014 as part of 2013 deferred variable compensation, added CHF 0.5 billion to regulatory capital in the first quarter of 2014. CCA qualify as additional tier 1 and high-trigger capital instruments for regulatory capital purposes.

In June 2014, we issued USD 2.5 billion 6.25% tier 1 capital notes.

Redemptions

In March 2014, pursuant to a tender offer, we repurchased USD 1.4 billion of outstanding 7.875% perpetual series B subordinated tier 1 participation securities. We subsequently exercised a regulatory call of the USD 99 million of such securities that had not been tendered, with the result that no such securities remain outstanding. Prior to the announcement of the tender offer and as advised by >>>FINMA, these tier 1 participation securities formed part of Swiss CET1 capital under Swiss Requirements, whereas under >>>Basel III, these instruments were included in additional tier 1 instruments subject to phase out.

113

> Refer to "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information on CCA.

The issuances and tier 1 instrument redemptions effected in 2014 were approved by FINMA.

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 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 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.

In 2013, we issued CHF 290 million 6.0% tier 1 capital notes and USD 2.25 billion 7.5% tier 1 capital notes, and in 2014 we issued USD 2.5 billion 6.25% tier 1 capital notes (collectively, Tier 1 Capital Notes). In 2013, we also issued USD 2.5 billion 6.5% tier 2 capital notes and EUR 1.25 billion 5.75% tier 2 capital notes (collectively, 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 8.9 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 2014.

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 14.0 billion and the Higher Trigger Capital Ratio was 4.8%, both as of the end of 2014.

> Refer to the table "BIS statistics – Basel III – Group" for further information on the BIS statistics used to calculate such measures.

bis Capital metrics

Regulatory capital and ratios – Group

Our CET1 ratio was 14.9% as of the end of 2014 compared to 15.7% as of the end of 2013, reflecting higher >>>RWA, partially offset by slightly higher CET1 capital. Our tier 1 ratio was 17.1% as of the end of 2014 compared to 16.8% as of the end of 2013. Our total capital ratio was 20.8% as of the end of 2014 compared to 20.6% as of the end of 2013.

CET1 capital was CHF 43.3 billion as of the end of 2014 compared to CHF 43.0 billion as of the end of 2013, reflecting a positive foreign exchange impact and net income. CET1 capital was negatively impacted by the 20% phase-in of regulatory deductions from CET1, including goodwill, other intangible assets and certain deferred tax assets, a 20% decrease in the adjustment for the accounting treatment of pension plans, pursuant to phase-in

requirements, and the cash component of a dividend accrual.
Additional tier 1 capital increased to CHF 6.5 billion as of the end of 2014 compared to CHF 3.1 billion as of the end of 2013, mainly due to the issuance of the tier 1 capital notes and CCA, a 20% decrease in phase-in deductions, including goodwill, other intangible assets and other capital deductions, and the positive foreign exchange impact, partially offset by the redemption of the tier 1 participation securities.
Tier 2 capital was CHF 10.9 billion as of the end of 2014 compared to CHF 10.2 billion as of the end of 2013, mainly due to the positive foreign exchange impact.
Total eligible capital as of the end of 2014 was CHF 60.8 billion compared to CHF 56.3 billion as of the end of 2013.
We reported a look-through CET1 ratio of 10.1% as of the end of 2014, compared to a year-end target of 10.0% and a long-term target of 11.0%. As of the end of 2014, the look-through total capital ratio was 16.5%, compared to 15.1% as of the end of 2013.

BIS statistics – Basel III – Group

			Phase-in			Look-through
end of	2014	2013	% change	2014	2013	% change
Eligible capital (CHF million)						
Total shareholders' equity	43,959	42,164	4	43,959	42,164	4
Regulatory adjustments [1]	(375)	(1,069)	(65)	(375)	(1,069)	(65)
Adjustments subject to phase-in	(262)[2]	1,894[3]	–	(15,008)	(14,615)	3
CET1 capital	**43,322**	**42,989**	1	**28,576**	**26,480**	8
Additional tier 1 instruments	11,316[4]	7,484	51	11,316	7,484	51
Additional tier 1 instruments subject to phase-out [5]	2,473	3,652	(32)	–	–	–
Deductions from additional tier 1 capital	(7,307)[6]	(8,064)	(9)	–	–	–
Additional tier 1 capital	**6,482**	**3,072**	111	**11,316**	**7,484**	51
Total tier 1 capital	**49,804**	**46,061**	8	**39,892**	**33,964**	17
Tier 2 instruments	6,984[7]	6,263	12	6,984	6,263	12
Tier 2 instruments subject to phase-out	4,190	4,321	(3)	–	–	–
Deductions from tier 2 capital	(227)	(357)	(36)	–	(18)	100
Tier 2 capital	**10,947**	**10,227**	7	**6,984**	**6,245**	12
Total eligible capital	**60,751**	**56,288**	8	**46,876**	**40,209**	17
Risk-weighted assets (CHF million)						
Credit risk	192,663	175,631	10	185,501	167,888	10
Market risk	34,468	39,133	(12)	34,468	39,133	(12)
Operational risk	58,413	53,075	10	58,413	53,075	10
Non-counterparty risk	5,866	6,007	(2)	5,866	6,007	(2)
Risk-weighted assets	**291,410**	**273,846**	6	**284,248**	**266,103**	7
Capital ratios (%)						
CET1 ratio	14.9	15.7	–	10.1	10.0	–
Tier 1 ratio	17.1	16.8	–	14.0	12.8	–
Total capital ratio	20.8	20.6	–	16.5	15.1	–

1
Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2
Reflects 20% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
3
Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
4
Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.2 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 5.1 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
5
Includes hybrid capital instruments that are subject to phase-out.
6
Includes 80% of goodwill and other intangible assets (CHF 7.1 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.

7
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 4.3 billion consists of capital instruments with a capital ratio write-down trigger of 5%.
115

Capital movement – Basel III

	2014
CET1 capital (CHF million)	
Balance at beginning of period	**42,989**
Net income	1,875
Foreign exchange impact	1,967
Impact of deductions relating to phase-in requirements	(3,015)
Other [1]	(494)
Balance at end of period	**43,322**
Additional tier 1 capital (CHF million)	
Balance at beginning of period	**3,072**
Foreign exchange impact	554
Impact of deductions relating to phase-in requirements	1,607
Issuances	2,721
Redemptions	(1,590)
Other [2]	118
Balance at end of period	**6,482**
Tier 2 capital (CHF million)	
Balance at beginning of period	**10,227**
Foreign exchange impact	699
Impact of deductions relating to phase-in requirements	62
Other	(41)
Balance at end of period	**10,947**

1
Reflects the net effect of share-based compensation, the impact of a dividend accrual, which includes the assumption that 50% of the proposed dividend is distributed in shares, the net impact of pension-related adjustments and a change in other regulatory adjustments.
2
Reflects a change in regulatory adjustments, primarily gains and 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, and other movements on additional tier 1 capital instruments.

Other regulatory disclosures

In connection with the implementation of >>>Basel III, additional regulatory disclosures 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 and additional capital disclosures for the Bank parent company can be found on our website.

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

Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as market, credit, 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. 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. 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. 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.

Risk-weighted assets by division – Basel III

end of	2014	2013	% change
Risk-weighted assets by division (CHF million)			
Private Banking & Wealth Management	108,261	95,507	13
Investment Banking	159,815	155,290	3
Corporate Center	23,334	23,049	1
Risk-weighted assets	**291,410**	**273,846**	6

116

Risk-weighted asset movement by risk type – Basel III

2014 (CHF million)	Credit risk (excluding CVA)	Credit risk (CVA)	Market risk	Operational risk	Non-counterparty risk	Total risk-weighted assets
Balance at beginning of period	**164,924**	**10,707**	**39,133**	**53,075**	**6,007**	**273,846**
Foreign exchange impact	11,976	669	1,742	0	0	14,387
Acquisitions and disposals	(143)	0	0	0	0	(143)
Movements in risk levels	(9,383)	1,279	(7,209)	0	(141)	(15,454)
of which credit risk – book size [1]	(6,920)	2,033	–	–	–	–
of which credit risk – book quality [2]	(2,463)	(754)	–	–	–	–
Model and parameter updates [3]	1,048	(1,637)	(1,785)	2,700	0	326
Methodology and policy – internal [4]	4,512	4,112	(995)	(2,062)	0	5,567
Methodology and policy – external [5]	4,599	0	3,582	4,700	0	12,881
Balance at end of period	**177,533**	**15,130**	**34,468**	**58,413**	**5,866**	**291,410**

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.

RWA increased 6% from CHF 273.8 billion as of the end of 2013 to CHF 291.4 billion as of the end of 2014, primarily reflecting a significant increase resulting from the foreign exchange impact. Increases in credit risk and operational risk were partially offset by a decrease in market risk.

> Refer to "Risk-weighted assets movement by risk type – Basel III" for further information.

Excluding the foreign exchange impact, the increase in **credit risk (excluding >>>CVA)** was primarily driven by increases in methodology changes and model and parameter updates, partially offset by decreases in credit risk levels within Investment Banking. External methodology changes resulted from an increase in the risk weighting of private equity positions in Private Banking & Wealth Management, particularly within Asset Management, and in Investment Banking as well as an increase resulting from the mortgage multiplier relating to the financing of certain residential properties in Switzerland. Internal methodology changes were mainly due to the removal of initial margin benefits to the >>>derivatives model within Investment Banking. These increases were mostly offset by decreases in credit risk levels. The decrease in credit risk levels attributed to book size was mainly driven by decreases in derivatives and commercial loans as well as the securitization of >>>OTC derivatives portfolios in Investment Banking. The decrease in credit risk levels attributed to book quality was mainly driven by Investment Banking as a result of decreases in average risk weighting for lending across emerging markets and leveraged financing.

Excluding the foreign exchange impact, the increase in **credit risk related to CVA** was primarily driven by increases in internal methodology changes and increases in credit risk levels, partially offset by model and parameter updates. Increases in internal methodology changes were due to changes in the hedging of CVA risk and the modeling of derivatives exposures, partially offset by decreases resulting from the improvement of the systems and processes with respect to OTC derivatives within Investment Banking. The increase in credit risk levels attributable to book size was

mainly due to increased exposures and hedged positions across both Investment Banking and Private Banking & Wealth Management. The increase was partially offset by decreases in model and parameter updates related to a time series update of the data sets across Investment Banking and Private Banking & Wealth Management.

Excluding the foreign exchange impact, the decrease in **market risk** was primarily driven by decreases in risk levels and model and parameter updates, partially offset by increases in external methodology changes. The movements in risk levels were driven by a decrease in trading book securitization exposures following increased protection on low rated tranched portfolios, including protection provided by the Capital Opportunity Facility, a component of our employee deferred compensation plan. Decreases in model and parameter updates were due to market data updates for stressed spreads within Investment Banking. These decreases were partially offset by increases in external methodology changes resulting from the regulatory requirement to hold capital against short trading book securitization positions starting on January 1, 2014.

The increase in **operational risk** was primarily driven by external methodology changes and model and parameter updates, partially offset by internal methodology changes. The increase in external methodology changes resulted from the implementation of a revised >>>AMA model, a >>>FINMA imposed cap applied to benefits derived from insurance protection and an update to the litigation add-on component following an increase in the aggregate range of reasonably possible litigation losses not covered by existing provisions. The increase in model and parameter updates resulted from revised scenarios reflecting settlements of the previously outstanding Federal Housing Finance Agency and US cross-border

matters, partially offset by the annual model recalibration with updated loss data. These increases were partially offset by internal methodology changes resulting from an agreement with FINMA to remove the limitation it had previously set on the capital benefit for insurance-based risk transfer.

Regulatory capital and ratios – Bank

The Bank's CET1 ratio was 14.4% as of the end of 2014 compared to 14.3% as of the end of 2013, reflecting higher CET1 capital, mostly offset by higher RWA. The Bank's tier 1 ratio was 16.6% as of the end of 2014 compared to 15.4% as of the end of 2013. The Bank's total capital ratio was 20.5% as of the end of 2014 compared to 19.8% as of the end of 2013.

CET1 capital was CHF 40.9 billion as of the end of 2014 compared to CHF 37.7 billion as of the end of 2013, reflecting a positive foreign exchange impact, the conversion of ineligible participation securities into eligible share capital, net income and an adjusted dividend accrual. CET1 capital was negatively impacted by the 20% phase-in of regulatory deductions from CET1, including goodwill, other intangible assets and certain deferred tax assets.

Additional tier 1 capital increased to CHF 6.3 billion as of the end of 2014 compared to CHF 3.1 billion as of the end of 2013, mainly due to the issuance of the tier 1 capital notes and CCA, the 20% decrease in phase-in deductions, including goodwill, other intangible assets and other capital deductions, and the positive foreign exchange impact, partially offset by the redemption of the tier 1 participation securities.

Tier 2 capital was CHF 11.0 billion as of the end of 2014 compared to CHF 11.6 billion as of the end of 2013, mainly due to the redemption of certain intercompany tier 2 capital notes, partially offset by the positive foreign exchange impact.

The Bank's total eligible capital increased to CHF 58.1 billion as of the end of 2014 compared to CHF 52.3 billion as of the end of 2013.

RWA increased CHF 18.8 billion to CHF 283.0 billion as of the end of 2014 compared to CHF 264.2 billion as of the end of 2013.

The business of the Bank is substantially the same as the business of the Group. The trends for the Bank are consistent with those for the Group.

> Refer to "Market risk", "Credit risk" and "Operational risk" in Risk management for further information.

BIS statistics – Basel III – Bank

end of	2014	2013	Phase-in % change
Eligible capital (CHF million)			
Total shareholders' equity	42,895	39,467	9
Regulatory adjustments [1]	(66)	(2,797)	(98)
Adjustments subject to phase-in	(1,976)[2]	1,030[3]	–
CET1 capital	**40,853**	**37,700**	8
Additional tier 1 instruments	10,410[4]	6,643	57
Additional tier 1 instruments subject to phase-out [5]	2,473	3,652	(32)
Deductions from additional tier 1 capital	(6,622)[6]	(7,226)	(8)
Additional tier 1 capital	**6,261**	**3,069**	104
Total tier 1 capital	**47,114**	**40,769**	16
Tier 2 instruments	7,014[7]	6,263	12
Tier 2 instruments subject to phase-out	4,196	5,633	(26)
Deductions from tier 2 capital	(213)	(319)	(33)
Tier 2 capital	**10,997**	**11,577**	(5)
Total eligible capital	**58,111**	**52,346**	11
Risk-weighted assets (CHF million)			
Credit risk	184,531	166,245	11
Market risk	34,439	39,111	(12)
Operational risk	58,413	53,075	10
Non-counterparty risk	5,611	5,758	(3)
Risk-weighted assets	**282,994**	**264,189**	7
Capital ratios (%)			
CET1 ratio	14.4	14.3	–
Tier 1 ratio	16.6	15.4	–
Total capital ratio	20.5	19.8	–

1
Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2
Reflects 20% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
3
Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
4
Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.2 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%.
5
Includes hybrid capital instruments that are subject to phase-out.
6
Includes 80% of goodwill and other intangible assets (CHF 6.4 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.
7

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 4.3 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

BIS leverage ratio – Group

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 by FINMA that are effective for the first quarter of 2015 and the application of those requirements on our 2014 results. Changes in these requirements or any of our interpretations, assumptions or estimates would result in different numbers from those shown here.

As of December 31, 2014 the estimated look-through BIS leverage ratio measured against tier 1 capital was 3.4% and the estimated BIS leverage exposure was CHF 1,167 billion.

Credit Suisse is targeting a look-through BIS tier 1 leverage ratio of approximately 4.0% by the end of 2015, of which the CET1 component is approximately 3.0%. Credit Suisse has revised its BIS leverage exposure target to CHF 930–950 billion by end 2015 from the previously reported Swiss leverage exposure target of approximately CHF 1,050 billion, on a foreign exchange adjusted basis. The BIS leverage exposure target assumes foreign exchange rates of the US dollar and the euro against the Swiss franc as of January 30, 2015.

SWISS Capital metrics

Swiss regulatory capital and ratios

> Refer to “Swiss Requirements” for further information on Swiss regulatory requirements.

As of the end of 2014, our Swiss CET1 capital and Swiss total capital ratios were 14.8% and 20.7%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.75% and 10.18%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 28.4 billion and our Swiss CET1 ratio was 10.0% as of the end of 2014. Our Swiss total eligible capital was CHF 46.7 billion and our Swiss total capital ratio was 16.4% as of the end of 2014, each on a look-through basis.

Swiss statistics – Basel III – Group

	Phase-in			Look-through		
end of	2014	2013	% change	2014	2013	% change
Capital development (CHF million)						
CET1 capital	43,322	42,989	1	28,576	26,480	8
Swiss regulatory adjustments [1]	(133)	1,658	–	(143)	1,824	–
Swiss CET1 capital [2]	**43,189**	**44,647**	**(3)**	**28,433**	**28,304**	**0**
High-trigger capital instruments	8,893 [3]	7,743	15	8,893	7,743	15
Low-trigger capital instruments	9,406 [4]	6,005	57	9,406	6,005	57
Additional tier 1 and tier 2 instruments subject to phase-out [5]	6,663	–	–	–	–	–
Deductions from additional tier 1 and tier 2 capital [5]	(7,533)	–	–	–	–	–
Swiss total eligible capital [2]	**60,618**	**58,395**	**4**	**46,732**	**42,052**	**11**
Risk-weighted assets (CHF million)						
Risk-weighted assets – Basel III	291,410	273,846	6	284,248	266,103	7
Swiss regulatory adjustments [6]	1,058	1,015	4	1,057	1,031	3
Swiss risk-weighted assets	**292,468**	**274,861**	**6**	**285,305**	**267,134**	**7**
Swiss capital ratios (%)						
Swiss CET1 ratio	14.8	16.2	–	10.0	10.6	–
Swiss total capital ratio	20.7	21.2	–	16.4	15.7	–

1
Includes adjustments for certain unrealized gains outside the trading book and, in the fourth quarter of 2013, also included tier 1 participation securities, which were redeemed in the first quarter of 2014.

2
Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.

3
Consists of CHF 6.2 billion additional tier 1 instruments and CHF 2.7 billion tier 2 instruments.

4
Consists of CHF 5.1 billion additional tier 1 instruments and CHF 4.3 billion tier 2 instruments.

5
Reflects the FINMA Decree, which was effective in the first quarter of 2014.

6
Primarily includes differences in the credit risk multiplier.

120

Swiss statistics – Basel III – Bank

end of	2014	2013	Phase-in % change
Capital development (CHF million)			
CET1 capital	40,853	37,700	8
Swiss regulatory adjustments [1]	(111)	1,711	–
Swiss CET1 capital [2]	**40,742**	**39,411**	3
High-trigger capital instruments	8,944[3]	7,743	16
Low-trigger capital instruments	8,480[4]	5,163	64
Additional tier 1 and tier 2 instruments subject to phase-out [5]	6,669	–	–
Deductions from additional tier 1 and tier 2 capital [5]	(6,835)	–	–
Swiss total eligible capital [2]	**58,000**	**52,317**	11
Risk-weighted assets (CHF million)			
Risk-weighted assets – Basel III	282,994	264,189	7
Swiss regulatory adjustments [6]	1,048	1,021	3
Swiss risk-weighted assets	**284,042**	**265,210**	7
Swiss capital ratios (%)			
Swiss CET1 ratio	14.3	14.9	–
Swiss total capital ratio	20.4	19.7	–

1
Includes adjustments for certain unrealized gains outside the trading book and, in the fourth quarter of 2013, also included tier 1 participation securities, which were redeemed in the first quarter of 2014.
2
Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
3
Consists of CHF 6.2 billion additional tier 1 instruments and CHF 2.7 billion tier 2 instruments.
4
Consists of CHF 4.2 billion additional tier 1 instruments and CHF 4.3 billion tier 2 instruments.
5
Reflects the FINMA Decree, which was effective in the first quarter of 2014.
6
Primarily includes differences in the credit risk multiplier.
121

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					I					
	Capital requirements					Capital requirements					
end of	Minimum component	Buffer component	Progressive component	Excess	2014	Minimum component	Buffer component	Progressive component	Excess		
Risk-weighted assets (CHF billion)											
Swiss risk-weighted assets	–	–	–	–	292.5	–	–	–	–	2	
2014 Swiss capital requirements [1]											
Minimum Swiss total capital ratio	4.0%	4.5% [2]	1.68%	–	10.18%	4.0%	4.5% [2]	1.68%	–	10.	
Minimum Swiss total eligible capital (CHF billion)	11.7	13.2	4.9	–	29.8	11.4	12.8	4.8	–		
Swiss capital coverage (CHF billion)											
Swiss CET1 capital	11.7	8.0	–	23.4	43.2	11.4	7.8	–	21.6		
High-trigger capital instruments	–	5.1	–	3.8	8.9	–	5.0	–	4.0		
Low-trigger capital instruments	–	–	4.9	4.5	9.4	–	–	4.8	3.7		
Additional tier 1 and tier 2 instruments subject to phase-out	–	–	–	6.7	6.7	–	–	–	6.7		
Deductions from additional tier 1 and tier 2 capital	–	–	–	(7.5)	(7.5)	–	–	–	(6.8)		
Swiss total eligible capital	**11.7**	**13.2**	**4.9**	**30.9**	**60.6**	**11.4**	**12.8**	**4.8**	**29.1**		
Swiss capital ratios (%)											
Swiss total capital ratio	**4.0%**	**4.5%**	**1.68%**	**10.5%**	**20.7%**	**4.0%**	**4.5%**	**1.68%**	**10.2%**	**20**	

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.

Swiss leverage ratio

The Swiss leverage ratio is calculated as Swiss total eligible capital, including high- and low-trigger capital instruments, divided by a three-month average exposure, which consists of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and >>>derivative add-ons. As of the end of 2014, our Swiss leverage ratio was 4.9% and our total average exposure was CHF 1,227.5 billion. As of the end of 2014, our total exposure was CHF 1,213 billion.

The Group's look-through Swiss leverage ratio was 3.9% as of the end of 2014, compared to the current 4% requirement effective 2019, reflecting our progressive component requirement for 2014. For 2015, the Swiss leverage ratio requirement effective 2019 will be 4.09%.

Credit Suisse is targeting a look-through Swiss leverage ratio of approximately 4.5% by the end of 2015. Beginning in the first quarter of 2015, the leverage exposure is measured on the same period-end basis as the leverage exposure for the >>>BIS leverage ratio.

Swiss leverage ratio – Group

			Phase-in			Look-through
end of	2014	2013	% change	2014	2013	% change
Swiss total eligible capital (CHF million)						
Swiss total eligible capital	**60,618**	**58,395**	4	**46,732**	**42,052**	11
Exposure (CHF million) [1]						
Balance sheet assets	938,280	890,242	5	938,280	890,242	5
Off-balance sheet exposures	153,713	133,426	15	153,713	133,426	15
Regulatory adjustments	135,544	130,150	4	120,742	113,596	6
Total average exposure	**1,227,537**	**1,153,818**	6	**1,212,735**	**1,137,264**	7
Swiss leverage ratio (%)						
Swiss leverage ratio	**4.9**	**5.1**	–	**3.9**	**3.7**	–

1 Calculated as the average of the month-end amounts for the previous three calendar months.

122

Swiss leverage ratio – Bank

end of	2014	2013	Phase-in % change
Swiss total eligible capital (CHF million)			
Swiss total eligible capital	**58,000**	**52,317**	11
Exposure (CHF million) [1]			
Balance sheet assets	920,316	871,814	6
Off-balance sheet exposures	152,775	132,567	15
Regulatory adjustments	134,299	127,927	5
Total average exposure	**1,207,390**	**1,132,308**	**7**
Swiss leverage ratio (%)			
Swiss leverage ratio	**4.8**	**4.6**	–

1

Calculated as the average of the month-end amounts for the previous three calendar months.

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					Bank				
	Capital requirements					Capital requirements				
end of	Minimum component	Buffer component	Progressive component	Excess	2014	Minimum component	Buffer component	Progressive component	Excess	2014
Exposure (CHF billion)										
Total average exposure	**–**	**–**	**–**	**–**	**1,227.5**	**–**	**–**	**–**	**–**	**1,207.4**
2014 Swiss leverage requirements [1]										
Minimum Swiss leverage ratio	0.96%	1.08%	0.40%	–	2.44%	0.96%	1.08%	0.40%	–	2.44%
Minimum Swiss leverage (CHF billion)	11.8	13.3	4.9	–	30.0	11.6	13.0	4.9	–	29.5
Swiss capital coverage (CHF billion)										
Swiss CET1 capital	11.8	8.1	–	23.3	43.2	11.6	8.0	–	21.2	40.7
High-trigger capital instruments	–	5.2	–	3.7	8.9	–	5.1	–	3.9	8.9
Low-trigger capital instruments	–	–	4.9	4.5	9.4	–	–	4.9	3.6	8.5
Additional tier 1 and tier 2 instruments subject to phase-out	–	–	–	6.7	6.7	–	–	–	6.7	6.7
	–	–	–	(7.5)	(7.5)	–	–	–	(6.8)	(6.8)

Deductions from additional tier 1 and tier 2 capital										
Swiss total eligible capital	**11.8**	**13.3**	**4.9**	**30.6**	**60.6**	**11.6**	**13.0**	**4.9**	**28.5**	**58.0**
Swiss leverage ratio (%)										
Swiss leverage ratio	**0.96%**	**1.08%**	**0.40%**	**2.50%**	**4.94%**	**0.96%**	**1.08%**	**0.40%**	**2.36%**	**4.80%**

Rounding differences may occur.

1

The leverage requirements are based on a percentage of total average exposure.

123

Shareholders’ equity and share metrics

Total shareholders’ equity

Group

Our total shareholders’ equity was CHF 44.0 billion as of the end of 2014 compared to CHF 42.2 billion as of the end of 2013. Total shareholders’ equity was positively impacted by foreign exchange-related movements on cumulative translation adjustments, net income and an increase in the share-based compensation obligation. These increases were partially offset by transactions relating to the settlement of share-based compensation awards, an actuarial pension adjustment 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 42.9 billion as of the end of 2014 compared to CHF 39.5 billion as of the end of 2013. Total shareholder’s equity was positively impacted by foreign exchange-related movements on cumulative translation adjustments, an increase in the share-based compensation obligation and net income. These increases were partially offset by transactions relating to the settlement of share-based compensation awards.

> 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	2014	2013	% change	2014	2013	% change
Shareholders' equity (CHF million)						
Common shares	64	64	0	4,400	4,400	0
Additional paid-in capital	27,007	27,853	(3)	34,842	34,851	0
Retained earnings	32,083	30,261	6	15,877	14,621	9
Treasury shares, at cost	(192)	(139)	38	–	–	–
Accumulated other comprehensive income/(loss)	(15,003)	(15,875)	(5)	(12,224)	(14,405)	(15)
Total shareholders' equity	**43,959**	**42,164**	4	**42,895**	**39,467**	9
Goodwill	(8,644)	(7,999)	8	(7,766)	(7,121)	9
Other intangible assets	(249)	(210)	19	(249)	(210)	19
Tangible shareholders' equity [1]	**35,066**	**33,955**	3	**34,880**	**32,136**	9
Shares outstanding (million)						
Common shares issued	1,607.2	1,596.1	1	4,399.7	4,399.7	0
Treasury shares	(7.7)	(5.2)	48	–	–	–
Shares outstanding	**1,599.5**	**1,590.9**	1	**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	**27.48**	**26.50**	4	**9.75**	**8.97**	9
Goodwill per share	(5.40)	(5.03)	7	(1.76)	(1.62)	9
Other intangible assets per share	(0.16)	(0.13)	23	(0.06)	(0.05)	20
Tangible book value per share [1]	**21.92**	**21.34**	3	**7.93**	**7.30**	9

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 386.3 million treasury shares and sold or re-issued 357.7 million treasury shares in 2014, predominantly for market-making purposes and facilitating customer orders. As of December 31, 2014, the Group held 7.7 million treasury shares.

> Refer to "Impact of share-based compensation on shareholders' equity" in IV – Corporate Governance and Compensation – Compensation for further information.

Purchases and sales of treasury shares

In million, except where indicated	Number of shares	Average price per share in CHF
2014		
January	24.8	28.72
February	25.5	27.59
March	22.0	27.67
April	32.3	28.41
May	47.7	26.91
June	21.3	26.58
July	39.8	25.62
August	42.0	25.16
September	40.1	25.85
October	37.0	25.28
November	34.9	25.18
December	18.9	25.35
Total purchase of treasury shares	**386.3**	**–**
Total sale of treasury shares	**357.7**	**–**

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. Dividend payments made in 2014, for 2013, were comprised of a cash distribution of CHF 0.70 per share paid out of reserves from capital contributions. Our Board of Directors will propose to the shareholders at the AGM on April 24, 2015 a distribution of CHF 0.70 per share out of reserves from capital contributions for the financial year 2014. 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 ex-dividend date has been set to May 4, 2015.

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 against reserves from capital contributions" in VI – Parent company financial statements – Credit Suisse Group – Proposed appropriation of retained earnings and capital distributions for further information on dividends.

Dividend per ordinary share

	USD[1]	CHF

Dividend per ordinary share for the financial year		
2013	0.79	0.70
2012 [2]	0.83	0.75
2011	0.78	0.75
2010	1.48	1.30
2009	1.78	2.00

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 2014. During the year, we took additional steps to adapt our business and risk management practices to reflect changes in our operating environment. In addition, we restructured our risk organization to further strengthen the holistic risk coverage, effectiveness of risk governance and oversight.

Key Risk developments

2014 was a year marked by slowing global economic growth, rising geopolitical risks, diverging policies of major central banks and a significant decrease in energy prices. The combination of low interest rates, low market volatility through most of the year, rising prospects of deflation, exacerbated by falling commodity prices, and investors' search for yield resulted in a further decrease in yields and, mainly in the first half of 2014, tightening credit spreads.

Cross-border matters

In May 2014, we entered into a comprehensive and final settlement regarding all outstanding US cross-border matters. Over the last several years, we have been enhancing our operational risk framework and legal and compliance oversight programs to generally address cross-border risks.

Ukraine crisis

During 2014, the macroeconomic effects of increasing tension in the Ukraine were mostly confined to the nearby regions, but the risk of a more widespread disruption increased. Since June 2014, the Russian ruble has significantly devalued against major currencies, yields on Russian bonds have increased significantly and Russia's financial markets reached high volatility. We closely monitor and manage our exposures to Russian counterparties and have lowered our exposures and reduced our country exposure limits.

Leveraged finance

In March 2013, the OCC, the Fed, and the FDIC jointly issued supervisory guidance on leveraged lending (Guidance). The goals of the Guidance include helping financial institutions properly evaluate and monitor underwritten credit risks in leveraged loans, understand the effect of changes in borrowers' enterprise values on credit portfolio quality, assess the sensitivity of future credit losses to changes in enterprise values, and to strengthen their risk management frameworks so that leveraged lending activities do not heighten risk in the banking system or the broader financial system. In November 2014, the same agencies indicated that the standards for underwriting and arranging loan transactions that can be classified as leveraged lending may receive increased scrutiny. This heightened standard of scrutiny is negatively impacting Credit Suisse's ability to underwrite and originate leveraged lending transactions.

Energy prices

The reduction in energy prices gathered momentum in the fourth quarter 2014 and led to a sharp decline in the high yield credit market of the energy sector. This decline impacted the overall high yield market and led to an increase in volatility across credit markets. Due to the oil price decline, oil-producing emerging market countries saw significant declines in hard currency revenues, which resulted in increased volatility across some of the major emerging market indices. In 2014, we were not materially impacted by this increase in volatility. We closely monitor and manage our lending exposure to the highest impacted areas, such as the North American exploration and production and the oilfield services sectors. Any potential losses due to defaults would be mitigated because a majority of the loans are highly collateralized. Historically, such loans have experienced high recovery rates.

Cyber-attacks

Cyber threats are continuously evolving, becoming more sophisticated, targeted and sustained. The speed and scale offered by the internet have been increasingly harnessed in cyber-attacks to target multiple systems or processes in parallel, causing widespread harm. Defending and countering cyber-attacks while addressing evolving regulations and policies is a complex challenge. The economic effects of cyber-attacks can extend beyond the loss of financial assets or intellectual property. There are costs associated with loss of client confidence and reputational risk, the opportunity costs of service disruptions, the cost of repairs and remediation after cyber incidents and the increasing cost of cyber security. We are focused on continually strengthening our cyber security defense capabilities along with promoting a strong risk culture and good governance.

SNB decision to discontinue the minimum exchange rate

On January 15, 2015, the 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. It also decreased the target range for the three-month Swiss franc LIBOR. The immediate market impact was significant, with the Swiss

franc significantly strengthening against the euro and other major currencies, the Swiss equity markets falling and interest rates further decreasing. We managed the market volatility and client flow at the time of the SNB decision without incurring material trading losses and without an immediate impact to our capital ratios.

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 and grow shareholder value. 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 are working to continuously strengthen risk management throughout the Group. We have comprehensive risk management processes and sophisticated control systems. We are working 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 and 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 and 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 restructured in light of the increasing complexity of the regulatory environment and the strong emphasis on legal entity considerations. A core mandate of the risk management function is to contribute to an effective and independent second line of defense.

The restructured risk management organization was developed in the second half of 2014, it became effective in January 2015 and its implementation continues during 2015. 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, credit, operational and fiduciary risk management, and they are accountable for functional risk oversight and the limit framework both at global and local legal entity level. They are also responsible for functional models, methodologies and policies and function-related regulatory change.

The regional legal entity chief risk officers comprise our four regions and provide risk oversight for legal entities. They define the local risk management and risk appetite frameworks and are responsible for meeting the legal-entity-specific regulatory requirements. The global functions and the regional legal entity chief risk officers jointly manage the functional teams in each location.

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.

Divisional chief risk officers

The two divisional chief risk officer roles for Investment Banking and Private Banking & Wealth Management ensure alignment of the risk management function within our businesses.

Other central functions

Risk & Finance Data Analytics and Reporting provides consistent reporting production, analytics and data management shared with finance functions. CRO Change Management 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 result in 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. In 2014, we introduced 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 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.

> Refer to “Conduct risk” for further information.

Risk appetite Framework

Overview

We maintain a comprehensive Group-wide risk appetite framework, providing 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 before breaching any constraints determined by capital needs, liquidity requirements, shareholder expectations, or conduct and fiduciary responsibilities to clients and other stakeholders. Risk appetite expresses the aggregate risk we are willing to accept 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. 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 encompasses the suite of policies, processes, controls and systems with which the risk controls are calibrated and the risk profile is managed. The framework is guided by the following strategic risk objectives:

– maintaining Group-wide capital adequacy on both a regulatory basis and under stressed conditions;
– promoting stability of earnings;
– ensuring sound management of liquidity and funding risk;
– minimizing reputational risk; and
– managing and controlling business conduct risk.

Group-wide risk appetite is determined in conjunction 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 and is the means through which our strategic risk objectives, financial resources and business plans are aligned.

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 both the strategic risk objectives and comprehensive scenario stress testing of our forecasted financial results and capital requirements. 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.
– 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:

– Risk forecasts are established by front office business experts in conjunction with financial plans in order to ensure they are consistent with the business strategy. These 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 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 2014 and 2013, 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. Divisional management is responsible for allocating risk appetite further into the organization. For this purpose, it uses a detailed framework of more than 100 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. Any divisional risk committee limit excess is subject to a formal escalation procedure and must be remediated or expressly approved by senior management. Senior management approval is valid for a standard period of ten days (or fewer than ten days for certain limit types) and approval has to be renewed for additional standard periods if an excess is not remediated within the initial standard period. 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 2014, 98% of all limit excesses were resolved within the approved standard 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's 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.

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 following table.

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 in the Private Banking & Wealth Management division and the risk of counterparty defaults
International lending & counterparty exposures	– Potential changes in the creditworthiness of counterparty exposures, mainly in the Investment Banking division, 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

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 level of loss resulting from inadequate or failed internal processes, people and systems or from external

events calculated at a 99.97% confidence level and a one-year holding period. A scenario-based approach is used to derive exposures, with event risk modeling utilized to calculate the operational risk. The primary focus is on major events, such as unauthorized trading, business interruption or fraud. Estimating operational risk is inherently more subjective and reflects quantitative tools and senior management judgment.

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 in the case of falling market prices.

– Model uncertainty add-on is an estimate for the impacts of certain planned methodology changes.

Available economic capital

Available economic capital is an internal view of 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 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 between capital available to absorb losses (available economic capital) and capital needs (economic risk capital). The economic risk capital coverage ratio is primarily meant to provide a reference point for an assessment of our solvency and reflects our best internal assessment of risk and loss absorbing capacity.

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.

135

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 2014, the Group focused on the following forward-looking scenarios:

– Ending of credit cycle: there is a tightening in credit markets and the US economy slides into a deep and prolonged recession with a substantial increase in default rates.

– Sovereign and banking crisis in a eurozone country: after several of its banks failed the asset quality stress results in October 2014, a significant eurozone country enters into a deep recession that leads to a spike in its sovereign yields and to a confidence crisis in its domestic banking sector, with contagion to selected other eurozone countries. The eurozone is pushed into a deep recession with a severe drop in corporate earnings leading to defaults.

– Euro deflation scenario: the eurozone heads into deflation, the credit default cycle gradually worsens, and banks are stressed and forced to reduce lending, leading to a tightening of the money supply.

– 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.

– Escalation of the Ukraine crisis: escalation of the Ukraine crisis triggers sanctions impacting Russia's financial sector. Russia enters into a severe recession impacting the global economy, and flight to safety drives capital away from emerging markets.

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 through 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 primarily relate to our trading activities in Investment Banking. Private Banking & Wealth Management also engages in trading activities, but to a much lesser extent. 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 Corporate Center 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 interest rate-sensitive positions originated by Private Banking & Wealth Management, money market and funding activities by Treasury, 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, primarily in Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and, since October 2014, have been risk-managed within Private Banking & Wealth Management on a pooled basis using replication portfolios. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis. Following the transfer of the interest rate risk management of these portfolios from Treasury to Private Banking & Wealth Management in October 2014, Treasury continues to be responsible for the modeling and monitoring of the replication portfolios.
Evaluation and management of market risk
We use market risk measurement and management methods capable of calculating comparable exposures across our many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. Our principal market risk measurement is VaR. In addition, our market risk exposures are reflected in scenario analysis, as included in our stress testing framework, position risk, as included in our economic risk capital, and sensitivity analysis. Each evaluation method aims to estimate the potential loss that we can incur due to an adverse market movement over a defined holding period with a specified confidence level. VaR, scenario analysis, position risk and sensitivity analysis complement each other in our market risk assessment and are used to measure market risk at the Group level. Our risk management practices are regularly reviewed to ensure they remain appropriate.
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 from 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 (CVA) are modifications to the measurement of derivative assets used to reflect the credit risk of counterparties. Debit valuation adjustments (DVA) 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 the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. 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;

139

– 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 >>>PD, >>>LGD and >>>EAD is 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.
In the third quarter of 2014, we enhanced our internal credit rating methodology for >>>lombard loans on the Swiss platform across all loan classes by considering the quality and diversification of collateral securities as a basis for determining the internal risk rating both for regulatory and financial reporting purposes.
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.
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 and 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 Private Banking & Wealth Management lending portfolio 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 Investment Banking, 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 Private Banking & Wealth Management mortgage lending portfolio, 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 loan-to-value 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 Private Banking & Wealth Management clients (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.

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 two 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 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.
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 2014, key enhancements included the introduction of the set of business conduct behaviors, refinements to the way in which operational risk appetite is set and measured across the Group, the introduction of the new responses framework, improvements in risk reporting and further improvements to the RCSA process to ensure that risks are assessed on a consistent basis across the Group. We plan to roll out certain of these enhanced processes across the Group in stages.
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.
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. The AMA capital calculation approved by FINMA includes all litigation-related provisions and also an add-on component relating to the aggregate range of reasonably possible litigation losses that are disclosed in our financial statements but are not covered by existing provisions. 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. In 2014, we introduced a more risk-sensitive approach to allocating the AMA capital requirement to businesses that is designed to be more forward-looking and incentivize appropriate risk management behaviors.

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 who 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, employees or representatives could result in clients not receiving a fair transaction, 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, trade processing errors, inaccurate benchmark submissions, failure to safeguard 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 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. The Code of Conduct and the set of business conduct behaviors are linked to our employee performance assessment and compensation processes.
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 information technology 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 information technology, 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

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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 and to assess risk measures such as 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.
Strategy risk
Strategy 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. Strategy 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, and how we will position ourselves relative to competitors;
– ineffective implementation of chosen business strategies;

– 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.

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

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Executive Board and individual business heads regularly assess the performance of each business against strategic objectives through a series of 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

Development of economic risk capital methodology

In 2014, we made the following enhancements to the position risk methodology for risk management purposes: For fixed income trading, we improved the aggregation of trading risks by aligning the time series' lengths among developed and emerging markets trading risks, and by using implicit correlations instead of an assumed fixed correlation. We also made an enhancement to the position risk dataset for risk management purposes: For real estate & structured assets, the dataset now includes funding risk for off-balance sheet residential mortgage-backed securities (RMBS) conduit positions and for fixed income trading, we have enhanced the scope for default risk for the traded credit spread portfolio to include credit default swaps (CDS).

Prior-period balances have been restated for methodology changes in order to show meaningful trends. The total net impact of 2014 methodology changes on position risk for the Group as of December 31, 2013 was a decrease of CHF 679 million, or 5.6%.

For economic risk capital used for capital management purposes, in addition to adopting the above position risk methodology changes, we made the following enhancements:

– for operational risk, we implemented a revised internal >>>AMA model to calculate the regulatory capital requirement for operational risk, and we updated insurance policy parameters in our operational risk model; and

– for other risks, we increased our other risks charge to reflect a recalibration of our economic risk capital model reserve component to account for planned methodology changes. This increase was marginally offset in the fourth quarter of 2014 when we removed minor risk types that were previously captured in the model reserve component. These risk types are now captured in the position risk model and did not have an impact on the overall position risk.

Prior-period balances have been restated for 2014 methodology changes in order to show meaningful trends. The net impact of all methodology changes on economic risk capital for the Group as of December 31, 2013 was a net decrease of CHF 547 million, or 1.7%.

Economic risk capital

			Group			Bank[1]
end of	2014	2013	% change	2014	2013	% change
Available economic capital (CHF million)						
BIS look-through CET1 capital (Basel III)	28,576	26,480	8	28,720	23,623	22
Economic adjustments[2]	10,447	11,464	(9)	10,156	12,566	(19)
Available economic capital	**39,023**	**37,944**	3	**38,876**	**36,189**	7
Economic risk capital (CHF million)						
Position risk (99.97% confidence level)	21,652	19,988	8	21,499	19,841	8
Operational risk	5,277	4,731	12	5,277	4,731	12
Other risks[3]	6,266	7,012	(11)	4,428	4,922	(10)
Economic risk capital	**33,195**	**31,731**	5	**31,204**	**29,494**	6
Economic risk capital coverage ratio (%)						
Economic risk capital coverage ratio[4]	**118**	**120**	–	**125**	**123**	–

Prior-period balances have been restated for methodology changes 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 between available economic capital and economic risk capital.

Available economic capital trends

As of the end of 2014, our available economic capital for the Group was CHF 39.0 billion, up CHF 1.0 billion from the end of 2013. BIS look-through CET1 capital increased CHF 2.1 billion, primarily from net income of CHF 1.9 billion for the year and the foreign exchange translation impact, partially offset by the expected cash portion of the dividends for the year and the impact from movements in own credit spreads. Economic adjustments decreased CHF 1.1 billion, mainly due to the repurchase of the outstanding 7.875% perpetual series B subordinated tier 1 participation securities in the first quarter of 2014 and lower dividend accruals reflecting the expected cash portion of the dividends.

Economic risk capital by division

in / end of	2014	2013	% change
Economic risk capital by division (CHF million)			
Private Banking & Wealth Management	9,853	9,445	4
Investment Banking	21,350	20,050	6
Corporate Center [1]	2,012	2,256	(11)
Economic risk capital – Group [2]	**33,195**	**31,731**	5
Economic risk capital – Bank [3]	**31,204**	**29,494**	6
Average economic risk capital by division (CHF million)			
Private Banking & Wealth Management	9,551	9,792	(2)
Investment Banking	20,605	19,298	7
Corporate Center [1]	2,135	2,260	(6)
Average economic risk capital – Group [4]	**32,272**	**31,330**	3
Average economic risk capital – Bank [3]	**30,156**	**29,089**	4

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

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 20 million and CHF 20 million as of December 31, 2014 and 2013, 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 19 million and CHF 20 million as of December 31, 2014 and 2013, respectively.

Economic risk capital trends

Over the course of 2014, our economic risk capital increased 5%. Excluding the US dollar translation impact, economic risk capital decreased 2%, mainly due to increased benefit from deferred share-based compensation awards in other risks from both business divisions, partially offset by higher operational risk.

For Private Banking & Wealth Management, economic risk capital increased 4%, mainly due to increased position risk in equity trading & investments and private banking corporate & retail lending, and higher operational risk. These increases were partially offset by a reduction in other risks, primarily related to increased benefit from deferred share-based compensation awards.

For Investment Banking, economic risk capital increased 6%. Excluding the US dollar translation impact, economic risk capital decreased 3%, largely due to decreased position risk in fixed income trading and emerging markets country event risk, and a reduction in other risks, primarily related to increased benefit from deferred share-based compensation awards. These decreases were partially offset by increased position risk in international lending & counterparty exposures and higher operational risk.

For Corporate Center, economic risk capital decreased 11%, mainly due to a decrease in foreign exchange risk between available economic capital and economic risk capital.

Group position risk

end of	2014	2013	% change
Position risk (CHF million)			
Fixed income trading [1]	1,120	1,776	(37)
Equity trading & investments	1,680	1,614	4
Private banking corporate & retail lending	2,505	2,350	7
International lending & counterparty exposures	5,979	4,957	21
Emerging markets country event risk	1,141	1,412	(19)
Real estate & structured assets [2]	2,551	2,037	25
Simple sum across risk categories	**14,976**	**14,146**	**6**
Diversification benefit [3]	(2,558)	(2,782)	(8)
Position risk (99% confidence level for risk management purposes)	**12,418**	**11,364**	**9**
Position risk (99.97% confidence level for capital management purposes)	**21,652**	**19,988**	**8**

Prior-period balances have been restated for methodology changes 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 2013, position risk for risk management purposes increased 9%. Excluding the US dollar translation impact, position risk was stable. Position risk increased mainly due to new loan commitments and increased counterparty risk in Investment Banking for international lending & counterparty exposures and higher exposures in real estate & structured assets, mainly related to an increase in commercial mortgage-backed securities (CMBS). These increases were offset mainly by reduced credit spread and interest rate exposures in fixed income trading and lower exposures in Eastern Europe in emerging markets country event risk.

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 2014, we updated our VaR model to capture certain higher order risks in equity, interest rate and inflation-linked derivatives. These higher order risks, which included volatility skew, were previously captured in our RNIV framework. In addition, we increased the granularity of how we capture the risk between recently issued government bonds (on-the-run) and government bonds with similar maturities that were

issued earlier (off-the-run) to cover risk by country rather than by region. The cumulative impact of these updates on our VaR measures was immaterial and prior periods have not been restated.

One-day, 98% risk management VaR (CHF)

in / end of	Interest rate	Credit spread	Foreign exchange	Commodity	Equity	Diversi- fication benefit	Total
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
2012 (CHF million)							
Average	29	47	13	3	22	(47)	67
Minimum	15	36	3	1	14	+	34
Maximum	43	67	34	7	35	+	104
End of period	27	36	12	2	17	(54)	40

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.

One-day, 98% risk management VaR (USD)

in / end of	Interest rate	Credit spread	Foreign exchange	Commodity	Equity	Diversi- fication benefit	Total
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
2012 (USD million)							
Average	31	51	14	3	23	(63)	59
Minimum	16	39	3	1	15	+	36
Maximum	47	73	38	8	37	+	88
End of period	29	39	13	2	18	(57)	44

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.

We measure VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR in 2014 increased 7% from 2013 to USD 46 million. The increase was primarily driven by increased equity exposures, mainly in US and Asian equity derivatives and reduced diversification benefit, partially offset by reduced credit spread and interest rate exposures.

Period-end risk management VaR as of December 31, 2014 decreased 8% to USD 47 million compared to December 31, 2013, mainly reflecting decreased equity exposures.
In the 12-month periods ending December 31, 2014, 2013 and 2012, 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, 2014, 2013
149

and 2012, 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 2014 with those for 2013 and 2012. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2014, we had four trading loss days, each of them with a trading loss not exceeding CHF 25 million, compared to one trading loss day in 2013 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 4.6 million as of December 31, 2014, compared to an increase of CHF 8.5 million as of December 31, 2013. The decrease from 2013 was mainly due to activities related to the management of capital instruments. The decrease reflected new hedges that more than offset the impact of the related issuance of a new tier 1 capital instrument, and the repurchase of the outstanding 7.875% perpetual series B subordinated tier 1 participation securities following a tender offer as well as the impact of market movements on the valuation of these instruments. The decrease also reflected an overall risk reduction in Treasury.

One basis point parallel increase in yield curves by currency – banking book positions

end of	CHF	USD	EUR	GBP	Other	Total
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
2013 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	(1.1)	7.0	2.2	0.0	0.4	8.5

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 (as interest rates are currently very low, the downward changes are capped to ensure that the resulting interest rates remain non-negative).

Interest rate sensitivity – banking book positions

end of	CHF	USD	EUR	GBP	Other	Total
2014 (CHF million)						
Increase(+)/decrease(–) in interest rates						
+200 basis points	(431)	906	380	(181)	112	786
+100 basis points	(229)	458	192	(49)	56	428
–100 basis points	275	(439)	(187)	(30)	(38)	(419)
–200 basis points	373	(821)	(235)	(143)	(69)	(895)
2013 (CHF million)						
Increase(+)/decrease(–) in interest rates						
+200 basis points	(169)	1,350	428	(100)	80	1,589
+100 basis points	(100)	687	215	(24)	40	818
–100 basis points	225	(690)	(155)	(22)	(32)	(674)
–200 basis points	289	(1,150)	(160)	(88)	(63)	(1,172)

As of December 31, 2014, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 0.9 billion compared to a loss of CHF 1.2 billion as of December 31, 2013. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2014 and 2013, 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 498 million in the value of the banking book portfolio as of December 31, 2014, compared to a decrease of CHF 474 million as of December 31, 2013.

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 0.2 million in the value of the banking book portfolio as of December 31, 2014 and 2013.

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, 2014, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would have resulted in a CHF 0.2 million gain on the overall derivatives position in Investment Banking. 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 8.9 million gain as of December 31, 2014.

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. The following table represents credit risk from loans, irrevocable loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges.

Credit risk

end of	2014	2013	% change
Credit risk (CHF million)			
Balance sheet			
Gross loans	273,421	248,014	10
of which reported at fair value	22,913	19,457	18
Loans held-for-sale	25,911	18,914	37
Traded loans	10,415	6,397	63
Derivative instruments [1]	39,551	33,665	17
Total balance sheet	**349,298**	**306,990**	14
Off-balance sheet			
Irrevocable loan commitments [2]	120,290	96,990	24
Credit guarantees and similar instruments	4,086	4,214[3]	(3)
Irrevocable commitments under documentary credits	4,734	5,512	(14)
Total off-balance sheet	**129,110**	**106,716**	21
Total credit risk	**478,408**	**413,706**	16

Before risk mitigation, for example, collateral and credit hedges.

1

Positive replacement value after netting agreements.

2

Irrevocable loan commitments do not include unused credit limits which are revocable at the Group's sole discretion upon notice to the client.

3

Prior period has been corrected.

As of December 31, 2014 and 2013, loans held-for-sale included CHF 343 million and CHF 308 million, respectively, of US subprime residential mortgages from consolidated variable interest entities (VIE) and CHF 1,282 million and CHF 1,240 million, respectively, of low grade European residential mortgages from consolidated VIEs. Traded loans included US subprime residential mortgages of CHF 1,299 million and CHF 769 million as of December 31, 2014 and 2013, respectively.

Loans and irrevocable loan commitments

The following table provides an overview of loans and irrevocable loan commitments by division.

Loans and irrevocable loan commitments

end of	2014	2013	% change
Loans and irrevocable loan commitments (CHF million)			
Gross loans	273,421	248,014	10
of which Private Banking & Wealth Management	238,843	216,499	10
of which Investment Banking	34,548	31,490	10
Irrevocable loan commitments	120,290	96,990	24
Total loans and irrevocable loan commitments	**393,711**	**345,004**	14
of which Private Banking & Wealth Management	250,630	226,615	11
of which Investment Banking	143,051	118,365	21

The Private Banking & Wealth Management portfolio consists primarily of mortgages and loans collateralized by marketable securities that can be readily liquidated. In Investment Banking, we manage credit exposures primarily with credit hedges and monetizable collateral. Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of CDS and credit insurance contracts.

The following tables illustrate the effects of risk mitigation through cash collateral, marketable securities and credit hedges on a combined exposure of loans and irrevocable loan commitments.

Loans and irrevocable loan commitments – Private Banking & Wealth Management

end of			2014			2013
Internal ratings	Gross exposure	Cash and securities[1]	Net exposure	Gross exposure	Cash and securities[1]	Net exposure
Risk mitigation (CHF million)						
Investment grade						
Ratings AAA to BBB	187,034	(54,595)	132,439	165,711	(42,984)	122,727
Non-investment grade						
Ratings BB to C	62,537	(6,326)	56,211	59,750	(4,775)	54,975
Rating D	1,059	(73)	986	1,154	(137)	1,017
Total loans and irrevocable loan commitments	**250,630**	**(60,994)**	**189,636**[2]	**226,615**	**(47,896)**	**178,719**[2]

Includes undrawn irrevocable credit facilities. Does not include unused credit limits which are revocable at our sole discretion upon notice to the client. Prior period has been adjusted to the current presentation.

1

Cash collateral and marketable securities.

2

In addition, we had a synthetic collateralized loan portfolio, the Clock Finance 2013 transaction, which effectively transferred the mezzanine tranche credit risk in excess of 1% up to a maximum of 6% on a portfolio of originated loans of CHF 5.0 billion at closing within Corporate & Institutional Clients to capital market investors.

Loans and irrevocable loan commitments – Investment Banking

end of			2014			2013
Internal ratings	Gross exposure	Risk mitigation[1]	Net exposure	Gross exposure	Risk mitigation[1]	Net exposure
Risk mitigation (CHF million)						
Investment grade						
Ratings AAA to BBB	87,397	(15,527)	71,870	81,761	(14,948)	66,813
Non-investment grade						
Ratings BB to C	54,926	(12,509)	42,417	35,993	(6,516)	29,477
Rating D	728	(166)	562	611	(79)	532

Total loans and irrevocable loan commitments	**143,051**	**(28,202)**	**114,849**	**118,365**	**(21,543)**	**96,822**

Includes undrawn irrevocable credit facilities. Prior period has been adjusted to the current presentation.
1
Credit hedges, cash collateral and marketable securities.
153

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.

Loans

	Private Banking & Wealth Management		Investment Banking		Credit Suisse[1]	
end of	2014	2013	2014	2013	2014	2013
Loans (CHF million)						
Mortgages	98,802	94,978	0	0	98,802	94,978
Loans collateralized by securities	39,818	31,565	0	0	39,818	31,565
Consumer finance	4,094	5,672	229	266	4,323	5,938
Consumer	142,714	132,215	229	266	142,943	132,481
Real estate	27,261	26,557	1,937	755	29,198	27,312
Commercial and industrial loans	60,435	48,953	14,581	14,356	75,046	63,334
Financial institutions	7,271	7,538	15,072	14,302	22,343	21,840
Governments and public institutions	1,162	1,236	2,729	1,811	3,891	3,047
Corporate & institutional	96,129[2]	84,284[2]	34,319	31,224	130,478	115,533
Gross loans	**238,843**	**216,499**	**34,548**	**31,490**	**273,421**	**248,014**
of which reported at fair value	243	226	22,670	19,231	22,913	19,457
Net (unearned income) / deferred expenses	(93)	(71)	(19)	(20)	(112)	(91)
Allowance for loan losses [3]	(626)	(715)	(127)	(151)	(758)	(869)
Net loans	**238,124**	**215,713**	**34,402**	**31,319**	**272,551**	**247,054**
Impaired loans (CHF million)						
Non-performing loans	568	608	180	251	753	862
Non-interest-earning loans	279	280	0	1	279	281
Total non-performing and non-interest-earning loans	847	888	180	252	1,032	1,143
Restructured loans	168	6	3	0	171	6
Potential problem loans	152	340	35	0	187	340
Total other impaired loans	320	346	38	0	358	346
Gross impaired loans [3]	**1,167**	**1,234**	**218**	**252**	**1,390**	**1,489**
of which loans with a specific allowance	1,080	1,165	212	244	1,297	1,412
of which loans without a specific allowance	87	69	6	8	93	77
Allowance for loan losses (CHF million)						
Balance at beginning of period [3]	**715**	**785**	**151**	**137**	**869**	**922**
Changes in scope of consolidation	0	(1)	0	0	0	(1)
Net movements recognized in statements of operations	123	152	20	11	145	166
Gross write-offs	(268)	(278)	(81)	(8)	(349)	(286)
Recoveries	33	47	8	7	41	54
Net write-offs	(235)	(231)	(73)	(1)	(308)	(232)

Provisions for interest	5	13	15	13	20	26
Foreign currency translation impact and other adjustments, net	18	(3)	14	(9)	32	(12)
Balance at end of period [3]	**626**	**715**	**127**	**151**	**758**	**869**
of which individually evaluated for impairment	454	537	81	114	540	654
of which collectively evaluated for impairment	172	178	46	37	218	215
Loan metrics (%)						
Total non-performing and non-interest-earning loans / Gross loans [4]	0.4	0.4	1.5	2.1	0.4	0.5
Gross impaired loans / Gross loans [4]	0.5	0.6	1.8	2.1	0.6	0.7
Allowance for loan losses / Total non-performing and non-interest-earning loans [3]	73.9	80.5	70.6	59.9	73.4	76.0
Allowance for loan losses / Gross impaired loans [3]	53.6	57.9	58.3	59.9	54.5	58.4

1
Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking.
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 78,962 million and CHF 67,522 million as of December 31, 2014 and 2013, respectively.
3
Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.
4
Excludes loans carried at fair value.
154

Compared to the end of 2013, gross loans increased 10% to CHF 273.4 billion. An increase in Private Banking & Wealth Management of 10% to CHF 238.8 billion was primarily due to an increase in commercial and industrial loans, higher loans collateralized by securities, higher residential mortgages and the US dollar translation impact, partially offset by a decrease in consumer finance. In Investment Banking, an increase of 10% to CHF 34.5 billion was related to the US dollar translation impact, higher loans to the real estate sector and higher loans to governments and public institutions, partially offset by a decrease in commercial and industrial loans and lower loans to financial institutions.

> Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group.

Loss given default

The Private Banking & Wealth Management LGD measurement takes into account collateral pledged against the exposure and guarantees received, with the exposure adjusted for risk mitigation. In Investment Banking, the LGD measurement is primarily determined by the seniority ranking of the exposure, with the exposure adjusted for risk mitigation and guarantees received.

The following tables present our loans, net of risk mitigation, across LGD buckets for Private Banking & Wealth Management and Investment Banking.

Loans – Private Banking & Wealth Management

end of 2014			Loss given default buckets					
Internal ratings	Funded gross exposure	Funded net exposure	0–10%	11–20%	21–40%	41–60%	61–80%	81–100%
Loss given default (CHF million)								
Investment grade								
Ratings AAA to BBB	180,402	126,673	19,093	66,039	32,334	7,518	1,452	237
Non-investment grade								
Ratings BB to C	57,385	51,162	10,677	16,531	15,945	6,084	1,270	655
Rating D	1,056	984	56	207	324	240	29	128
Total loans	**238,843**	**178,819**	**29,826**	**82,777**	**48,603**	**13,842**	**2,751**	**1,020**

As of December 31, 2014, 96% of the aggregate Swiss residential mortgage loan portfolio of CHF 99.6 billion had an LTV ratio equal or lower than 80%. As of December 31, 2013, 97% of the corresponding loan portfolio of CHF 96.6 billion had an LTV ratio equal or lower than 80%. For the Swiss residential mortgage loans originated in 2014 and 2013, 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.

Loans – Investment Banking

end of 2014			Loss given default buckets					
Internal ratings	Funded gross exposure	Funded net exposure	0–10%	11–20%	21–40%	41–60%	61–80%	81–100%
Loss given default (CHF million)								
Investment grade								
Ratings AAA to BBB	12,511	8,730	1,516	189	2,182	4,240	241	362
Non-investment grade								
Ratings BB to C	21,324	12,355	1,079	694	5,383	5,023	97	79
Rating D	713	547	67	0	233	204	43	0
Total loans	**34,548**	**21,632**	**2,662**	**883**	**7,798**	**9,467**	**381**	**441**

Impaired loans and allowance for loan losses

Gross impaired loans decreased 7% to CHF 1.4 billion as of the end of 2014. In Private Banking & Wealth Management, gross impaired loans decreased CHF 67 million to CHF 1,167 million driven by write-offs and repayments. Higher restructured loans reflected the restructuring and subsequent reclassification of potential problem

and non-performing loans. In Investment Banking, gross impaired loans decreased CHF 34 million, mainly related to write-offs and repayments of non-performing loans, partially offset by new potential problem loans.

> Refer to “Impaired loans” in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

The following tables provide an overview of changes in impaired loans and related allowance for loan losses by loan portfolio segment for 2014.

Gross impaired loans by loan portfolio segment

2014	Consumer	Corporate & institutional	Total
Gross impaired loans (CHF million)			
Balance at beginning of period	**569**	**920**	**1,489**
New impaired loans	359	331	690
Increase in existing impaired loans	32	69	101
Reclassifications to performing loans	(93)	(4)	(97)
Repayments [1]	(170)	(224)	(394)
Liquidation of collateral, insurance or guarantee payments	(37)	(85)	(122)
Sales [2]	(11)	(3)	(14)
Write-offs	(81)	(238)	(319)
Foreign currency translation impact and other adjustments, net	14	42	56
Balance at end of period	**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

2014	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)			
Balance at beginning of period	**267**	**602**	**869**
Net movements recognized in statements of operations	66	79	145
Gross write-offs	(108)	(241)	(349)
Recoveries	17	24	41
Net write-offs	(91)	(217)	(308)
Provisions for interest	1	19	20
Foreign currency translation impact and other adjustments, net	8	24	32
Balance at end of period	**251**	**507**	**758**
of which individually evaluated for impairment	202	338	540
of which collectively evaluated for impairment	49	169	218

Provision for credit losses

Net provision for credit losses charged to the consolidated statements of operations in 2014 was CHF 186 million, compared to a net provision of CHF 167 million in 2013. In Private Banking & Wealth Management, the net provision for credit losses in 2014 was CHF 123 million, compared to CHF 152 million in 2013, and in Investment Banking, the net provision for credit losses in 2014 was CHF 61 million, compared to a net provision of CHF 13 million in 2013.

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. Positive replacement values 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

156

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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.

Derivative instruments by maturity

end of				2014				2013
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	30.1	132.0	310.6	472.7	28.2	162.2	258.8	449.2
Foreign exchange products	52.6	24.8	12.0	89.4	32.2	18.9	10.4	61.5
Equity/index-related products	9.2	6.7	1.8	17.7	8.1	8.0	2.2	18.3
Credit derivatives	2.3	21.3	3.4	27.0	1.6	21.1	4.1	26.8
Other products [1]	4.0	3.6	1.7	9.3	1.9	1.8	1.0	4.7
OTC derivative instruments	**98.2**	**188.4**	**329.5**	**616.1**	**72.0**	**212.0**	**276.5**	**560.5**
Exchange-traded derivative instruments				13.4				18.1
Netting agreements [2]				(590.0)				(544.9)
Total derivative instruments				**39.5**				**33.7**
of which recorded in trading assets				38.0				31.6
of which recorded in other assets				1.5				2.1

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	2014	2013
Derivative instruments (CHF billion)		
AAA	2.5	1.1
AA	9.1	8.5
A	9.2	6.6
BBB	11.8	9.9
BB or lower	5.1	4.6
OTC derivative instruments	**37.7**	**30.7**

Exchange-traded derivative instruments [1]	1.8	3.0
Total derivative instruments [1]	**39.5**	**33.7**

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 26 – 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 31 – 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 we have against this country in case 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 >>>positive replacement value (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 >>>credit default swaps (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 Private Banking & Wealth Management exposure 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, 2014 was EUR 4.7 billion, up from EUR 4.3 billion as of December 31, 2013. Our net exposure to these sovereigns was EUR 0.5 billion, down from EUR 0.8 billion as of December 31, 2013. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2014 included net exposure to financial institutions of EUR 2.9 billion and to corporates and other counterparties of EUR 1.2 billion, compared to EUR 2.3 billion and EUR 1.9 billion, respectively, as of December 31, 2013. 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 2013 through February 28, 2015, the sovereign debt ratings of the countries listed in the table changed as follows: Standard & Poor's lowered Croatia's rating from BB+ to BB, increased Cyprus' rating from B– to B+, increased Ireland's rating from BBB+ to A, lowered Italy's rating from BBB to BBB–, and increased Spain's rating from BBB– to BBB. Fitch lowered Croatia's rating from BB+ to BB, increased Greece's rating from B– to B, increased Ireland's rating from BBB+ to A–, and increased Spain's rating from BBB to BBB+. Moody's increased Cyprus' rating

from Caa3 to B3, increased Greece's rating from Caa3 to Caa1, increased Ireland's rating from Ba1 to Baa1, increased Portugal's rating from Ba3 to Ba1, and increased Spain's rating from Baa3 to Baa2. The 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

December 31, 2014	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory[2]	Net synthetic inventory[3]	Total credit risk exposure	
		CDS	Other[1]				Gross	Net
Croatia (EUR billion)								
Sovereign	0.5	0.0	0.4	0.1	0.0	(0.1)	0.5	0.1
Total	**0.5**	**0.0**	**0.4**	**0.1**	**0.0**	**(0.1)**	**0.5**	**0.1**
Cyprus (EUR billion)								
Corporates & other	0.8	0.0	0.8	0.0	0.0	0.0	0.8	0.0
Total	**0.8**	**0.0**	**0.8**	**0.0**	**0.0**	**0.0**	**0.8**	**0.0**
Greece (EUR billion)								
Financial institutions	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0
Corporates & other	0.7	0.0	0.7	0.0	0.0	0.0	0.7	0.0
Total	**0.8**	**0.0**	**0.8**	**0.0**	**0.0**	**0.0**	**0.8**	**0.0**
Ireland (EUR billion)								
Financial institutions	1.5	0.0	0.5	1.0	0.2	0.0	1.7	1.2
Corporates & other	1.0	0.1	0.8	0.1	0.0	(0.1)	1.0	0.1
Total	**2.5**	**0.1**	**1.3**	**1.1**	**0.2**	**(0.1)**	**2.7**	**1.3**
Italy (EUR billion)								
Sovereign	4.1	3.1	0.6	0.4	0.0	0.3	4.1	0.4
Financial institutions	1.6	0.0	1.0	0.6	0.2	0.0	1.8	0.8
Corporates & other	2.7	0.2	2.0	0.5	0.1	(0.2)	2.8	0.6
Total	**8.4**	**3.3**	**3.6**	**1.5**	**0.3**	**0.1**	**8.7**	**1.8**
Portugal (EUR billion)								
Sovereign	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0
Financial institutions	0.1	0.0	0.1	0.0	0.2	0.0	0.3	0.2
Corporates & other	0.1	0.0	0.1	0.0	0.1	0.0	0.2	0.1
Total	**0.3**	**0.0**	**0.3**	**0.0**	**0.3**	**0.0**	**0.6**	**0.3**
Spain (EUR billion)								
Financial institutions	0.9	0.0	0.6	0.3	0.4	0.1	1.3	0.7
Corporates & other	1.8	0.1	1.3	0.4	0.0	(0.1)	1.8	0.4
Total	**2.7**	**0.1**	**1.9**	**0.7**	**0.4**	**0.0**	**3.1**	**1.1**
Total (EUR billion)								
Sovereign	4.7	3.1	1.1	0.5	0.0	0.2	4.7	0.5
Financial institutions	4.2	0.0	2.3	1.9	1.0	0.1	5.2	2.9
Corporates & other	7.1	0.4	5.7	1.0	0.2	(0.4)	7.3	1.2
Total	**16.0**	**3.5**	**9.1**	**3.4**	**1.2**	**(0.1)**	**17.2**	**4.6**

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.
160

Balance sheet, off-balance sheet and other contractual obligations

During 2014, we increased total assets and total liabilities by 6%, reflecting the foreign exchange translation impact, partially offset by lower operating activities. As of the end of 2014, total assets were CHF 921.5 billion, total liabilities were CHF 876.5 billion and total equity was CHF 45.0 billion.

Balance sheet summary

			end of		% change
	2014	2013	2012	14 / 13	13 / 12
Assets (CHF million)					
Cash and due from banks	79,349	68,692	61,763	16	11
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	163,208	160,022	183,455	2	(13)
Trading assets	241,131	229,413	256,399	5	(11)
Net loans	272,551	247,054	242,223	10	2
Brokerage receivables	41,629	52,045	45,768	(20)	14
All other assets	123,594	115,580	134,672	7	(14)
Total assets	**921,462**	**872,806**	**924,280**	6	(6)
Liabilities and equity (CHF million)					
Due to banks	26,009	23,108	31,014	13	(25)
Customer deposits	369,058	333,089	308,312	11	8
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	70,119	94,032	132,721	(25)	(29)
Trading liabilities	72,655	76,635	90,816	(5)	(16)
Long-term debt	177,898	130,042	148,134	37	(12)
Brokerage payables	56,977	73,154	64,676	(22)	13
All other liabilities	103,745	95,580	106,323	9	(10)
Total liabilities	**876,461**	**825,640**	**881,996**	6	(6)
Total shareholders' equity	**43,959**	**42,164**	**35,498**	4	19
Noncontrolling interests	1,042	5,002	6,786	(79)	(26)
Total equity	**45,001**	**47,166**	**42,284**	(5)	12
Total liabilities and equity	**921,462**	**872,806**	**924,280**	6	(6)

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 921.5 billion as of the end of 2014, up CHF 48.7 billion, or 6%, from the end of 2013. Excluding the foreign exchange translation impact, total assets decreased CHF 13.8 billion.

In Swiss francs, net loans increased CHF 25.5 billion, or 10%, primarily due to an increase in commercial and industrial loans, loans collateralized by securities and residential mortgages in Private Banking & Wealth Management and the foreign exchange translation impact. Trading assets increased CHF 11.7 billion, or 5%, reflecting the foreign exchange translation impact and increases in equity securities and derivative instruments, partially offset by a decrease in debt securities. Cash and due from banks increased CHF 10.7 billion, or 16%, driven by higher central bank holdings and the foreign exchange translation impact. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions increased CHF 3.2 billion, or 2%, as the foreign exchange translation impact was largely offset by decreases in reverse repurchase transactions, cash collateral to banks and other customers and lower repurchase balances at banks. A decrease of CHF 10.4 billion, or 20%, in brokerage receivables was mainly due to lower futures balances as a result of a new booking policy on margin netting in the US and lower margin lending balances, partially offset by the foreign exchange translation impact. All other assets increased CHF 8.0 billion, or 7%, including increases of CHF 7.5 billion, or 12%, in other assets, CHF 4.1 billion, or 18%, in securities received as collateral and CHF 0.6 billion, or 8%, in goodwill, partially offset by a decrease of CHF 1.7 billion, or 17%, in other investments.

Total liabilities were CHF 876.5 billion as of the end of 2014, up CHF 50.8 billion, or 6%, from the end of 2013. Excluding the foreign exchange translation impact, total liabilities decreased CHF 9.2 billion.

In Swiss francs, long-term debt increased CHF 47.9 billion, or 37%, primarily reflecting issuances of senior debt and the foreign exchange translation impact, partially offset by maturities. Customer deposits increased CHF 36.0 billion, or 11%, primarily due to an increase in demand and time customer deposits, investment accounts and certificates of deposits and the foreign exchange translation impact. Due to banks increased CHF 2.9 billion, or 13%, primarily due to new bank deposits, an increase in deposits at central banks, higher bank balances, and the foreign exchange translation impact. A decrease of CHF 23.9 billion, or 25%, in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions mainly reflected decreases in >>>repurchase transactions, repurchase balances with customers and cash collateral received from customers, partially offset by the foreign exchange translation impact. Brokerage payables decreased CHF 16.2 billion, or 22%, mainly due to lower futures balances as a result of a new booking policy on margin netting in the US and lower margin lending balances, partially offset by the foreign exchange translation impact. Trading liabilities decreased CHF 4.0 billion, or 5%, reflecting a decrease in short trading positions, partially offset by the foreign exchange translation impact. All other liabilities increased CHF 8.2 billion, or 9%, including increases of CHF 5.7 billion, or 28%, in short-term borrowings and CHF 4.1 billion, or 18%, in obligation to return securities received as collateral, partially offset by decreases of CHF 1.1 billion in liabilities of discontinued operations reclassified as held-for-sale.

> 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 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 >>>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.

> Refer to “Derivative instruments” in Risk management – Risk review and results – Credit risk review for further information.

> Refer to “Note 31 – Derivatives and hedging activities” in V – Consolidated financial statements – Credit Suisse Group for further information.

> Refer to “Note 34 – 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 32 – 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 32 – 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: >>>CDO, >>>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 33 – 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 increased CHF 73.3 billion in 2014 to CHF 741.2 billion, primarily reflecting the increase in long-term debt of CHF 47.9 billion to CHF 177.9 billion, the increase in customer deposits of CHF 36.0 billion to CHF 369.1 billion, the increase in short-term borrowings of CHF 5.7 billion to CHF 25.9 billion, the increase in due to banks of CHF 2.9 billion to CHF 26.0 billion and the increase in operating lease obligations CHF 1.1 billion to CHF 6.5 billion, partially offset by the decrease in brokerage payables of CHF 16.2 billion to CHF 57.0 billion and the decrease in trading liabilities of CHF 4.0 billion to CHF 72.7 billion.

> Refer to “Note 24 – 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 32 – Guarantees and commitments” in V – Consolidated financial statements – Credit Suisse Group for further information on commitments.

Contractual obligations and other commercial commitments

					2014	2013
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	24,324	1,218	112	355	26,009	23,108
Customer deposits	365,158	3,064	247	589	369,058	333,089
Short-term borrowings	25,921	0	0	0	25,921	20,193
Long-term debt [1]	29,635	42,695	45,593	59,975	177,898 [2]	130,042 [2]
Contractual interest payments [3]	1,258	1,858	1,320	910	5,346 [4]	5,615
Trading liabilities	72,655	0	0	0	72,655	76,635
Brokerage payables	56,977	0	0	0	56,977	73,154
Capital lease obligations	0	0	0	0	0	1
Operating lease obligations	572	1,031	932	3,941	6,476	5,421
Purchase obligations	388	290	159	3	840	585
Total obligations [5]	**576,888**	**50,156**	**48,363**	**65,773**	**741,180**	**667,843**

1

Refer to "Debt issuances and redemptions" in Liquidity and funding management and "Note 24 – 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 13,452 million and CHF 12,992 million as of December 31, 2014 and 2013, 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 90,075 million, variable rate short-term borrowings of CHF 16,391 million, variable rate interest-bearing deposits and demand deposits of CHF 259,119 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 75,049 million and CHF 1,617 million, respectively.

5

Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 689 million and CHF 524 million as of December 31, 2014 and 2013, respectively, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. Refer to "Note 30 – 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 and Compensation
Corporate Governance
Compensation
Report of the Independent Registered Public Accounting Firm

Corporate Governance

Overview

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 and our management and assists investors in their investment decisions.

Developments in 2014

In November 2013, the Swiss Federal Council enacted the Ordinance Against Excessive Compensation with respect to Listed Corporations (Compensation Ordinance). The Compensation Ordinance came into effect on January 1, 2014 and implements key elements of the so-called "Minder Initiative". It imposes restrictions and requirements on board and executive compensation for Swiss public companies, implements criminal sanctions in certain cases of intentional noncompliance and is generally intended to strengthen shareholder rights. To conform to the new requirements resulting from the Compensation Ordinance, we implemented changes to the Articles of Association (AoA) at the 2014 Annual General Meeting (AGM) and the Organizational Guidelines and Regulations (OGR) in June 2014. Pursuant to the Compensation Ordinance, board members, the board chairperson and compensation committee members must now be directly elected by shareholders annually, which we did for the first time at the 2014 AGM. In addition, in accordance with the Compensation Ordinance and the Group's AoA, beginning with the 2015 AGM, the compensation of the Board of Directors (Board) and the Executive Board is subject to a binding vote at the AGM.

> Refer to "Board compensation proposed for approval at the 2015 AGM" and "Executive Board compensation proposed for approval at the 2015 AGM" in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, for further information on the binding vote.

On January 1, 2014, the Capital Requirements Directive (CRD) IV became effective in various EU countries, including the UK. CRD IV implements the >>>Basel III framework and also makes changes to rules on corporate governance, including compensation. The compensation rules are applicable to employees at Group subsidiaries that are regulated locally in our EU locations.

In August 2014, the Swiss Code of Best Practice for Corporate Governance and, in September 2014, the SIX Swiss Exchange (SIX) Directive on Information relating to Corporate Governance were revised. The revisions reflect the requirements of the Compensation Ordinance, as well as other international corporate governance developments. Various new and enhanced disclosure requirements stated in the SIX Directive pertain primarily to the implementation of the Compensation Ordinance.

> Refer to "Executive compensation" in I – Information on the company – Regulation and supervision – Recent regulatory developments and proposals for further information on the Compensation Ordinance.

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. We also continuously monitor and adapt our practices to reflect developments in corporate governance principles and practices in jurisdictions outside Switzerland. As in the past few years, regulators focused their attention on compensation practices at financial institutions in 2014.

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 New York Stock Exchange (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 has 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 that the board of directors 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.
– Quorums: Nasdaq standards require that the company's by-laws provide for a quorum of at least 33 1⁄3% 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 33 1⁄3% 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.

Corporate governance framework

The Board has adopted corporate governance policies and procedures, which are defined in a series of documents and form the basis of a sound corporate governance framework. Our corporate governance documents, all of which are available on our website at www.credit-suisse.com/governance, include:
– AoA: define the purpose of the business, the capital structure and the basic organizational framework. The AoA of the Group is dated December 2, 2014, and the AoA of the Bank is 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 Chief Executive Officer (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: define 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.
– Corporate Governance Guidelines: summarize corporate governance principles promoting the function of the Board and its committees and the effective governance of the Group.
– Board of Directors charter: outlines the organization and responsibilities of the Board.
– 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 Bank's AoA are available on our website at www.credit-suisse.com/articles.

> Refer to “Shareholders” and “Additional information” for a summary of the material provisions of our AoA and the Swiss Code of Obligations as they relate to our shares.

Company

Credit Suisse Group AG (Group) and Credit Suisse AG (Bank) are registered as Swiss corporations in the Commercial Register of the Canton of Zurich as of March 3, 1982 and April 27, 1883 under the registration numbers CHE-105.884.494 and CHE-106.831.974, respectively, and have their registered and main offices at Paradeplatz 8, 8001 Zurich, Switzerland. The Group and the Bank were incorporated on March 3, 1982 and July 5, 1856, respectively, with unlimited duration. The authorized representative in the US for the Group and the Bank is Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010. 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.

Our business consists of two operating divisions: Private Banking & Wealth Management and Investment Banking. The two divisions are complemented by Shared Services and a regional management structure.

In 2013, the Group announced a program to evolve the Group's legal entity structure to meet developing and future regulatory requirements. The program has been approved by the Board. It remains subject to final approval by the >>>Swiss Financial Market Supervisory Authority FINMA (FINMA) and other regulators. Implementation of the program is underway, with a number of key components expected to be implemented throughout 2015 and 2016.

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

> Refer to "II – Operating and financial review" for a detailed review of our operating results.

> Refer to "Note 39 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for a list of significant subsidiaries and associated entities.

The Group is listed on the SIX (Swiss Security Number 1213853), with a market capitalization of CHF 40,308 million as of December 31, 2014. Our shares are also listed in the form of >>>ADS on the NYSE. No Group subsidiaries have shares listed on the SIX or any other stock exchange.

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.

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.

Number of employees

end of	2014	2013	% change
Number of employees (full-time equivalents)			
Private Banking & Wealth Management	26,100	26,000	0
Investment Banking	19,400	19,700	(2)
Corporate Center	300	300	0
Number of employees	**45,800**	**46,000**	0
of which Switzerland	17,100	17,900	(4)
of which EMEA	9,900	9,600	3
of which Americas	10,900	11,100	(2)
of which Asia Pacific	7,900	7,400	7

Employees

As of December 31, 2014, we had 45,800 employees worldwide, of which 17,100 were in Switzerland and 28,700 were abroad.

The number of employees decreased slightly by 200, compared to the end of 2013. This reflected headcount reductions in connection with our cost efficiency initiatives in Investment Banking and Private Banking & Wealth

Management, partially offset by graduate hiring and contractor employee conversion. 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.

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 Credit Suisse Group AG 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.

Indemnification

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.

Shareholders

Capital structure

Our total issued share capital as of December 31, 2014 was CHF 64,286,758 divided into 1,607,168,947 registered shares, with a nominal value of CHF 0.04 per share.

> Refer to "Note 8 – 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. 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, 2014 was comprised of 8% private investors, 83% institutional investors and 9% other investors. The geographical break down of our institutional investors is as follows: 16% Switzerland, 11% other continental Europe, 15% UK and Ireland, 48% North America and 10% the rest of the world.

As of December 31, 2014, 118,759 shareholders were listed in our share register. To the best of our knowledge, there are no agreements in place that could lead to a change in control of the Group. As of December 31, 2014, 43.3 million, or 2.69%, of the issued shares were in the form of >>>ADS. Another 19.7 million, or 1.29%, of the issued shares were registered in the name of US-domiciled shareholders (excluding nominees) as of December 31, 2014.

The information provided in the following tables reflects the distribution of Group shares as registered in our share register.

Distribution of Group shares in the share register

end of				2014				2013
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Distribution of Group shares								
Swiss	104,750	88	103,656,285	6	115,185	88	110,678,408	7
Foreign	10,184	9	13,024,837	1	11,165	9	14,322,072	1
Private investors	114,934	97	116,681,122	7	126,350	97	125,000,480	8
Swiss	3,332	3	156,025,204	10	3,755	3	168,732,633	11
Foreign	493	0	709,185,750	44	631	0	774,995,489	49
Institutional investors	3,825	3	865,210,954	54	4,386	3	943,728,122	59
Shares registered in share register	**118,759**	100	**981,892,076**	61	**130,736**	100	**1,068,728,602**	67
of which								
Switzerland	108,082	91	259,681,489	16	118,941	91	279,411,046	18
of which Europe	9,664	8	494,318,812	31	10,590	8	534,716,557	34
of which US	151	0	205,229,688	13	184	0	222,433,937	14
of which Other	862	1	22,662,087	1	1,021	1	32,167,062	2
Shares not registered in share register	**–**	–	**625,276,871**	39	**–**	–	**527,390,747**	33

Total shares issued	**–**	–	**1,607,168,947**	100	**–**	–	**1,596,119,349**	100

169

Distribution of institutional investors in share register by industry

end of				2014				2013
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Institutional investors by industry								
Banks	123	0	1,560,911	0	36	0	2,672,727	0
Insurance companies	100	0	7,475,049	0	103	0	9,336,874	1
Pension funds	602	1	39,265,226	2	723	1	43,645,198	3
Investment trusts	353	0	119,401,124	7	392	0	118,122,666	7
Other trusts	671	1	5,920,253	0	746	1	5,473,606	0
Governmental institutions	32	0	7,176,248	0	33	0	7,934,377	0
Other [1]	1,785	2	103,333,438	6	2,164	2	104,905,938	7
Direct entries	**3,666**	3	**284,132,249**	18	**4,197**	3	**292,091,386**	18
Fiduciary holdings	**159**	0	**581,078,705**	36	**189**	0	**651,636,736**	41
Total institutional investors	**3,825**	3	**865,210,954**	54	**4,386**	3	**943,728,122**	59

Rounding differences may occur.

1

Includes various other institutional investors for which a breakdown by industry type was not available.

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, 2014, our holdings amounted to 3.96% purchase positions (1.49% registered shares and 2.47% share acquisition rights) and 32.60% 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 %	Purchase rights %
December 31, 2014 or the most recent notification date				
The Olayan Group (registered entity – Crescent Holding GmbH)	April 6, 2013	88.5	6.7	8.0[1]
Qatar Investment Authority (registered entity – Qatar Holding LLC)	October 31, 2013	82.0	5.2	16.5[2]
Harris Associates L.P.	November 9, 2013[3]	81.5	5.2	–
Norges Bank	June 19, 2014	80.0	5.0	–
Dodge & Cox	December 19, 2012[4]	63.5	5.0	–
Franklin Resources, Inc.	February 25, 2015	67.5	4.2	–
Capital Group Companies, Inc.	January 14, 2015	47.8	3.0	–
BlackRock Inc.	January 25, 2013	38.6	3.0	–
December 31, 2013 or the most recent notification date				
The Olayan Group (registered entity – Crescent Holding GmbH)	April 6, 2013	88.5	6.7	7.9
Qatar Investment Authority (registered entity – Qatar Holding LLC)	October 31, 2013	82.0	5.2	16.5
Harris Associates L.P.	November 9, 2013	81.5	5.2	–
Dodge & Cox	December 19, 2012	63.5	5.0	–
Franklin Resources, Inc.	March 12, 2014	57.6	3.6	–
Norges Bank	April 5, 2013	39.8	3.0	1.6
Capital Group Companies, Inc.	January 22, 2013	39.4	3.1	1.0
BlackRock Inc.	January 25, 2013	38.6	3.0	–
December 31, 2012 or the most recent notification date				
The Olayan Group (registered entity – Crescent Holding GmbH)	July 24, 2012	78.4	6.1	10.9
Qatar Investment Authority (registered entity – Qatar Holding LLC)	April 30, 2011	76.1	6.2	–
Dodge & Cox	December 19, 2012	63.5	5.0	–
Franklin Resources, Inc.	September 14, 2012	57.3	4.5	–
Capital Group Companies, Inc.	January 22, 2013	39.4	3.1	1.0
BlackRock Inc.		38.6	3.0	–

	January 25, 2013			
Harris Associates L.P.	May 17, 2012	36.9	3.0	–
Norges Bank	August 3, 2012	28.0	2.2	1.7

1
Consists of 8.0% 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.

2
Consists of 16.3% 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, and 0.2% purchase rights relating to options.

3
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.

4
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 and encourage shareholders to participate at our AGM. The following is a summary of certain shareholder rights at the Group. Refer to our AoA, which is available on our website at www.credit-suisse.com/articles.

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.

In order 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. 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. The 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

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 entered into 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 extraordinary shareholders' meeting (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.

Statutory quorums

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy. 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;
– discharging 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 2014 AGM. In accordance with the Compensation Ordinance, the Group will submit Board and Executive Board compensation recommendations for binding votes by shareholders for the first time at the 2015 AGM. For the Board, an aggregate amount of compensation to be paid to members of the Board for the period from the 2015 to the 2016 AGM will be proposed for approval at the 2015 AGM. For the Executive Board, an aggregate amount of variable compensation to be awarded to Executive Board members for the financial year 2014 and an aggregate amount of fixed

compensation to be paid to members of the Executive Board for the period from the 2015 to the 2016 AGM will be proposed for approval at the 2015 AGM. 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 2015 AGM" and "Executive Board compensation proposed for approval at the 2015 AGM" in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, for further information on the binding vote.

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.

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.

Board of Directors

Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 13 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. The 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. Our OGR specify that the members of the Board shall generally retire after having served on the Board for 15 years.

The Board has four committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. Except for the Compensation Committee members, the committee members are appointed by the Board for a term of one year. An overview of the Board and 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	Current term end	Independence	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
December 31, 2014							
Urs Rohner, Chairman	2009	2015	Independent	Chairman	–	–	–
Jassim Bin Hamad J.J. Al Thani	2010	2015	Not independent	–	–	–	–
Iris Bohnet	2012	2015	Independent	–	–	Member	–
Noreen Doyle, Vice-Chair, Lead Independent Director	2004	2015	Independent	Member	Member	–	–
Jean-Daniel Gerber	2012	2015	Independent	–	Member	–	–
Andreas N. Koopmann	2009	2015	Independent	–	–	Member	Member
Jean Lanier	2005	2015	Independent	Member	Member	Chairman	–
Kai S. Nargolwala	2013	2015	Independent	–	–	Member	Member
Anton van Rossum	2005	2015	Independent	–	–	–	Member
Severin Schwan	2014	2015	Independent	–	–	–	Member
Richard E. Thornburgh, Vice-Chair	2006	2015	Independent	Member	Member	–	Chairman

Sebastian Thrun	2014	2015	Independent	–	–	–	Member
John Tiner	2009	2015	Independent	Member	Chairman	–	Member

173

Board changes

Peter Brabeck-Letmathe and Walter B. Kielholz stepped down from the Board at the 2014 AGM and Severin Schwan and Sebastian Thrun were elected as new members of the Board. At the 2015 AGM on April 24, 2015, Jean-Daniel Gerber and Anton van Rossum will be stepping down from the Board. The Board proposes that all other current members of the Board be re-elected to the Board at the 2015 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 Seraina Maag, President and CEO of Europe, Middle East and Africa (EMEA) for American International Group (AIG), to the Board.

Board composition

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 Corporate Governance Guidelines and 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, age, 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. 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 following the newly revised 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 participates in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters. 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 2014, the Board held six meetings in person and nine additional meetings. In addition, the Board held a two-day strategy session. From time to time, the Board may also 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.

All members of the Board are expected to spend the necessary time outside 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.
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 2014	Board of Directors[1]	Chairman's and Governance Committee[2]	Audit Committee[3]	Compensation Committee[4]	Risk Committee[5]
Total number of meetings held	15	10	18	10	7
Number of members who missed no meetings	4	3	3	2	5
Number of members who missed one meeting	7	1	2	0	1
Number of members who missed two or more meetings	4	3	0	2	2
Meeting attendance, in %	90	85	98	83	89

1
The Board consisted of 13 members at the beginning of the year and at the end of the year, with 2 members joining the Board and 2 members leaving the Board as of the 2014 AGM.
2
The Chairman's and Governance Committee consisted of six members at the beginning of the year and five members at the end of the year.
3
The Audit Committee consisted of four members at the beginning of the year and five members at the end of the year.
4
The Compensation Committee consisted of four members at the beginning and the end of the year.
5
The Risk Committee consisted of six members at the beginning of the year and seven 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. Each member of the Board may assume no more than four other mandates in listed companies and no more than five mandates in other legal entities, including private non-listed companies. Each member of the Executive Board may assume no more than one other mandate in a listed company and 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.
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 Corporate Governance Guidelines, 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 and the >>>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.
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.
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. In addition to measuring Board members against the independence criteria, the Chairman's and Governance Committee also considers whether other commitments of an individual Board member prevent the person from devoting enough time to his or her Board mandate.
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, 2014, 12 members of the Board were determined by the Board to be independent.
At the time of his election to the Board in 2010, Mr. Bin Hamad J.J. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined that these various business relationships could constitute a material business relationship.
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 our main regulator, FINMA. The Chairman coordinates the work within the Board, works with the committee chairmen to coordinate the tasks of the committees and ensures that the Board members are provided with the information relevant for performing their duties. In particular, the Chairman drives the Board agenda and 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. He chairs the Board, the Chairman's and Governance Committee and the Shareholder Meetings and takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other stakeholders. The Chairman has no executive function within the Group. With the exception of the Chairman's and Governance Committee, the Chairman is not a member of any of the Board's standing committees. However, he may attend all or parts of selected committee meetings as a guest without voting power.
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.
Vice-Chair

The Vice-Chair is a member of the Board and a designated deputy to the Chairman. The Vice-Chair assists the Chairman by providing support and advice to the Chairman, assuming the Chairman's role in the event of the Chairman's absence or indisposition and leading the Board accordingly. There may be one or more Vice-Chairs. 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. The Lead Independent Director 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). In such role, the Lead Independent Director 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.

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. At each ordinary meeting, the Board receives a status report on our financial results, capital, funding and liquidity situation. In addition, the Board 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. Management also provides the Board members with regular updates on key issues and significant events, as deemed appropriate or requested. In order to appropriately discharge their responsibilities, the members of the Board have access to all information concerning the Group.

The Board also reviews and approves significant changes in our structure and organization and is actively involved in significant projects including acquisitions, divestitures, investments and other major projects. The Board and its committees are 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 their authority.

Governance of Group subsidiaries

The Board assumes oversight responsibility for establishing appropriate governance for Group subsidiaries. In accordance with the OGR, the Board appoints or dismisses the chairperson and the members of the boards of the most important subsidiaries of the Group and approves their compensation. A policy naming the subsidiaries in scope and providing guidelines for the nomination and compensation process shall be reviewed by the Board on an annual basis.

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, and a work plan 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

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.

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 consists of five members, all of whom are independent.

The Chairman’s and Governance Committee has its own charter, which has been approved by the Board. It 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. In addition, the Chairman’s and Governance Committee is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval. At least once annually, the Chairman’s and Governance Committee evaluates the independence of the Board members and reports its findings to the Board for final determination. The Chairman’s and Governance Committee is also responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group’s internal criteria, subject to applicable laws and regulations.

In addition, the Chairman’s and Governance Committee guides the Board’s annual performance assessment of the Chairman, the CEO and the members of the Executive Board. The Chairman’s and Governance Committee proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board. The Chairman’s

and Governance Committee also reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

The Chairman's and Governance Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Audit Committee

The Audit Committee consists of at least three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee consists of five members, all of whom are independent.

The Audit Committee has its own charter, which has been approved by the Board. The members of 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. 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.

In addition, the US Securities and Exchange Commission (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

– monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;

– monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;

– monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;

– monitoring the adequacy of the management of operational risks, jointly with the Risk Committee, including assessing the effectiveness of internal controls that go beyond the area of financial reporting;

– monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and

– monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. 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.

The Audit Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Compensation Committee

The Compensation Committee consists of at least three members of the Board, all of whom must be independent. Our Compensation Committee consists of four members, all of whom are independent.

The Compensation Committee has its own charter, which has been approved by the Board. Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. 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, as well as 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. The Compensation Committee proposes individual compensation for the Board members to the Board; discusses and recommends to the Board a proposal for the CEO's compensation; based on proposals by the CEO, discusses and recommends to the Board the Executive Board members' compensation; and reviews and recommends to the Board the compensation for individuals being considered for an Executive Board position. In accordance with the Compensation Ordinance, all such decisions are subject to AGM approval. The meetings are attended by management representatives, as appropriate.

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.

The Compensation Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

> 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 consists of seven members, all of whom are independent.

The Risk Committee has its own charter, which has been approved by the Board. 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.

The Risk Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Banking relationships and related party transactions

Banking relationships

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, 2014, 2013 and 2012, there was no loan exposure to such related parties that was 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

Exchange of tier 1 capital instruments

In February 2011, we entered into definitive agreements with entities affiliated with QIA and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products, to issue tier 1 high-trigger capital instruments (new Tier 1 Capital Notes). Under the agreements, QIA and The Olayan Group agreed to purchase USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes in exchange for their holdings of USD 3.45 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (together, the Tier 1 Capital Notes) or, in the event that the Tier 1 Capital Notes had been redeemed in full, for cash.

In July 2012, we entered into an amendment agreement with the entity affiliated with The Olayan Group to accelerate the exchange of USD 1.725 billion of the 11% tier 1 capital notes for an equivalent principal amount of new Tier 1 Capital Notes. In October 2013, based on the prior agreement with an

entity affiliated with QIA, we exchanged such entity's holding of USD 1.72 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes into equivalent principal amounts of new Tier 1 Capital Notes. These transactions were approved by FINMA.
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 >>>Basel Committee on Banking Supervision 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. In connection with the July 2012 exchange, the conversion floor price of the new Tier 1 Capital Notes delivered in the exchange as well as the remaining new Tier 1 Capital Notes that were exchanged in October 2013 was adjusted to match the conversion price of the mandatory and contingent convertible securities (MACCS) described below. 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 is payable on the USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes at fixed rates of 9.5% and 9.0%, respectively, and 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 Mr. Bin Hamad J.J. Al Thani and our then Board member Mr. 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 Tier 1 Capital Notes issued in 2008 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.
Settlement of mandatory and contingent convertible securities
In July 2012, we issued CHF 3.8 billion MACCS that mandatorily converted into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013. The settlement and delivery of shares occurred on April 8, 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The conversion price corresponded to 95% of the volume weighted-average market price for the two trading days preceding the transaction. Investors in the MACCS included entities affiliated with QIA and The Olayan Group, which also have been deemed by the Group to be related parties of our current Board member Mr. Bin Hamad J.J. Al Thani and our then Board member Mr. Syriani. In addition to QIA and The Olayan Group, a number of other investors of the Group purchased the MACCS, including Norges Bank and the Capital Group Companies, Inc., which like QIA and The Olayan Group, have significant holdings of Group shares. The terms and conditions for the conversion of the MACCS were equally applicable to all purchasers.
Plus Bonds
In 2013, we awarded Plus Bonds to certain employees as deferred variable compensation in respect of their 2012 compensation. We provided members of the Executive Board who did not participate in the structuring of the Plus Bonds the opportunity to invest their own funds in instruments with substantially the same terms as the Plus Bond awards granted to employees. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.
> Refer to "Plus Bond awards" in Compensation – Discontinued compensation plans for further information.
> Refer to "Note 29 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

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) COO of the Bank (2006–2009) General Counsel of the Bank (2005–2009) General Counsel of the Group (2004–2009) Member of the Bank Executive Board (2005–2009) Member of the Group 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	Degree in Law, University of Zurich, Switzerland

Other activities and functions

GlaxoSmithKline plc, board member
University of Zurich Department of Economics, chairman of the advisory board
International Institute for Management Development (IMD) foundation, board of trustees member
Swiss University Sports Foundation, board of trustees member

Mr. Rohner serves as a board, advisory board or board of trustees member in the following organizations in his capacity as Chairman of the Group: Swiss Bankers Association, Swiss Finance Council, Economiesuisse, Avenir Suisse, Alfred Escher Foundation, Lucerne Festival, European Banking Group, European Financial Services Round Table, Institute International d’Etudes Bancaires, Institute of International Finance (IIF) and 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 Company, board member
181

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
University of Lucerne, board member
Vienna University of Economics and Business Administration, advisory board member
Decision Making and Negotiations Journal, advisory board member
Negotiations Center, University of Texas at Dallas, board member
Global Agenda Council on Behavior, member
Economic Dividends for Gender Equality (EDGE), 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) Non-executive director of Credit Suisse International and Credit Suisse Securities (Europe) Limited (two of the Group's 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) Member of the Audit Committee (2007–2009)
1992–2005	European Bank for Reconstruction and Development (EBRD) First vice president and head of banking (2001–2005) Deputy vice president finance and director of risk management (1997–2001) Chief credit officer and director of syndications (1994–1997) Head of syndications (1992–1994)
1974–1992	Bankers Trust Company, Houston, New York and London Managing director, European Structured Sales (1990–1992) Managing director, Structured Sales group (1986–1990)

	Division manager, Energy Finance group (1983–1986)
	Various positions in New York and Houston (1974–1983)
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, board member
Macquarie Infrastructure Funds, advisory panel member
Sapphire Partners, advisory board member
Marymount International School, London, chair of the board of governors
Women in Banking and Finance in London, patron
Tuck European Advisory Board, member

Jean-Daniel Gerber
Born 1946
Swiss Citizen
Board member since 2012

Professional history

2012–present	Credit Suisse Member of the Audit Committee (2012–present)
2004–2011	Swiss Federal Council, Director of the State Secretariat for Economic Affairs (SECO)
1998–2004	Swiss Federal Office of Migration, director
1993–1997	World Bank Group, Washington D.C., executive director and dean (1997)
1991–1992	Swiss Federal Office for Foreign Economic Affairs, vice director and minister, head of the Development Policy Service
1987–1990	Swiss Embassy in Washington D.C., minister and head of the Economic, Financial and Commercial division
1973–1986	Various positions at the Swiss Federal Office for Foreign Economic Affairs (1973–1975; 1981–1986) and Member of the Swiss delegation to International Economics Organizations (1976–1980)

Education

2007	Honorary doctorate, Economics and Social Sciences, University of Bern, Switzerland
1972	Degree in Economics, University of Bern, Switzerland

Other activities and functions
Lonza Group AG, board member
Swiss Investment Fund for Emerging Markets, chairman of the board and investment committee
Swiss Society for Public Good, president
Japan Tobacco International (JTI) Foundation, board member
AO Alliance Foundation, member

Andreas N. Koopmann
Born 1951
Swiss and French Citizen
Board member since 2009

Professional history

2009–present	Credit Suisse Member of the Compensation Committee (2013–present) Member of the Risk Committee (2009–present)
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)
1979–1982	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
Spencer Stuart, Switzerland, advisory board member
Economiesuisse, board member
EPFL, Lausanne, Switzerland, strategic advisory board member
EPFL+ Foundation, member of the board of trustees
183

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–present)
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)
1988–1990	Pargesa Group, Paris and Geneva, managing director
1983–1989	Lambert Brussells Capital Corporation, New York, president
1970–1983	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, 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

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
1976–1995	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)
1970–1976	Peat Marwick Mitchell & Co., London, accountant

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

Singapore Telecommunications Ltd., board member and lead independent director

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

Anton van Rossum
Born 1945
Dutch Citizen
Board member since 2005

Professional history

2005–present	Credit Suisse Member of the Risk Committee (2008–present) Member of the Compensation Committee (2005–2008)
2000–2004	Fortis Inc. Chairman of the board, Fortis Inc. (New York) CEO and board member, Fortis (Belgium) Chairman of the boards of principal subsidiaries (Belgium)
1972–2000	McKinsey and Company Director of McKinsey Belgium (1986–2000) Principal at McKinsey, Netherlands and Belgium (1979–1986) Various positions in the Netherlands and Scandinavia (1972–1979)

Education

1969	Master’s degree, Economics and Business Administration, Erasmus University, Rotterdam
1965	Bachelor’s degree, Economics and Business Administration, Erasmus University, Rotterdam

Other activities and functions
Munich Re AG, member of the supervisory board
Royal Vopak NV, Rotterdam, chairman of the supervisory board
Netherlands Economics Institute, Rotterdam, chairman of the board of trustees
Rotterdam School of Management, chairman of the supervisory 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
European Round Table for Industrialists, 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

1995–present	Credit Suisse Vice-Chair (2014–present) Non-executive director of Credit Suisse International and Credit Suisse Securities (Europe) Limited – two of the Group's UK subsidiaries (2013–present) Member of the Audit Committee (2011–present) Chairman of the Risk Committee (2009–present) Member of the Chairman's and Governance Committee (2009–present) Member of the Risk Committee (2006–present) Member of the 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)
2006–present	Corsair Capital LLC, New York, vice-chairman

Education

2009	Honorary Doctorate, Commercial Sciences, University of Cincinnati, Ohio
1976	MBA Finance, Harvard University, Cambridge, Massachusetts
1974	BBA Finance, University of Cincinnati, Ohio

Other activities and functions
McGraw Hill Financial, board member
Reynolds American Inc., board member
New Star Financial Inc., board member and lead director
CapStar Bank, board member
University of Cincinnati, investment committee member
University of Cincinnati Foundation, executive committee member
Convent of the Sacred Heart, trustee and investment committee member
St. Xavier Hight School, trustee and finance 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

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

Robotics Science and Systems Foundation, member and treasurer

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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)
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)
1976–2001	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 Anderson 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
Corsair Capital LLC, advisory board member
The Urology Foundation, chairman

Honorary Chairman of Credit Suisse Group
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 since 1986. 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

187

Executive Board

Members of the 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, regions and in the Shared Services functions and establishes Group-wide policies. The composition of the Executive Board of the Group and the Bank is identical.

Effective October 17, 2014, Eric Varvel was appointed as Chairman Asia Pacific and Middle East and stepped down from the Executive Board and his position as joint head of the Investment Banking division. James L. Amine and Timothy P. O'Hara were appointed to the Executive Board to jointly lead the Investment Banking division with Gaël de Boissard. James L. Amine will continue to have responsibility for the investment banking department, while Timothy P. O'Hara will continue to head the equities business and his role as President and CEO of Credit Suisse Securities USA remains unchanged. Gaël de Boissard will continue to head the fixed income business, and his role as regional CEO of EMEA remains unchanged.

On March 10, 2015, we announced that the Board has appointed Tidjane Thiam as the new CEO of the Group. He will take over this position from Brady W. Dougan, who will step down at the end of June 2015, after eight years as the CEO of the Group. Tidjane Thiam currently is Group Chief Executive of Prudential plc, a London-based international financial services group with operations in the US, Asia, Europe and Latin America.

The size of the Executive Board increased from nine to ten members during 2014.

Members of the Executive Board

	Executive Board member since	Role
December 31, 2014		
Brady W. Dougan, Chief Executive Officer	2003	Group CEO
James L. Amine, Joint Head of Investment Banking [1]	2014	Divisional Head
Gaël de Boissard, Joint Head of Investment Banking and Regional CEO EMEA	2013	Divisional & Regional Head
Romeo Cerutti, General Counsel	2009	Shared Services Head
David R. Mathers, Chief Financial Officer and Head of IT and Operations	2010	Shared Services Head
Hans-Ulrich Meister, Joint Head of Private Banking & Wealth Management and Regional CEO Switzerland	2008	Divisional & Regional Head
Joachim Oechslin, Chief Risk Officer	2014	Shared Services Head
Timothy P. O'Hara, Joint Head of Investment Banking [1]	2014	Divisional Head
Robert S. Shafir, Joint Head of Private Banking & Wealth Management and Regional CEO Americas	2007	Divisional & Regional Head
Pamela A. Thomas-Graham, Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets	2010	Shared Services Head

1

Appointed on October 17, 2014 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” for further information.

Biographies of the Executive Board members

Brady W. Dougan
Born 1959
US Citizen
Member since 2003
Chief Executive Officer

Professional history

1990–present	Credit Suisse Chief Executive Officer of the Group (2007–present) CEO of Investment Banking and Americas (2006–2007) Member of the Committee of the Group Executive Board (2004–2005) CEO of Credit Suisse First Boston (2004–2005) Co-president of Institutional Securities of Credit Suisse First Boston (2002–2004) Member of the Executive Board of Credit Suisse First Boston (2001–2005) Global head of the Securities Division of Credit Suisse First Boston (2001–2002) Head of Equities of Credit Suisse First Boston (1996–2001) Various functions within Credit Suisse First Boston (1990–1996)
Prior to 1990	Bankers Trust, derivatives group

Education

1982	MBA in Finance, University of Chicago, Illinois
1981	BA in Economics, University of Chicago, Illinois

Other activities and functions
Humacyte Inc., board member
University of Chicago, board of trustees member
Barbara Dougan Foundation, director

James L. Amine
Born 1959
US Citizen
Member since 2014
Joint Head of Investment Banking

Professional history

1997–present	Credit Suisse Joint Head of Investment Banking, responsible for the Investment Banking Department (2014–present) 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

Harvard Law School, dean's advisory board member

Caramoor Center for Music and the Arts, board member

Leadership Committee of Lincoln Center Corporate Fund, member

189

Gaël de Boissard
Born 1967
French Citizen
Member since 2013
Joint Head of Investment Banking
Regional CEO EMEA

Professional history

2001–present	Credit Suisse
	Joint Head of Investment Banking, responsible for the Fixed Income business (2013–present)
	Regional CEO EMEA (2013–present)
	Co-Head of Global Securities, Investment Banking (2008–2012)
	Head of Interest Rate Products, Europe and Asia, Investment Banking (2001–2007)
1990–2001	JPMorgan Chase
	Member of European Management Committee (1998–2001)
	Head of European Rates (1997–1998)
	Head of European Government Bond Trading (1994–1997)
	Various positions in fixed income (1990–1994)

Education

1990	Degree in Mathematics and Civil Engineering, Ecole Polytechnique, Palaiseau, France
1989	Degree in Russian, University of Volgograd

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, Bank (2008–2009)
	General Counsel, Private Banking division (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
1993–1995	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
University of Fribourg, board of trustees member
Association Friends of the Zurich Art Museum, board member

David R. Mathers
Born 1965
British Citizen
Member since 2010
Chief Financial Officer

Professional history

1998–present	Credit Suisse Head of IT and Operations (2012–present) Chief Financial Officer (2010–present) Head of Finance and COO of Investment Banking (2007–2010) Senior positions within Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007)
1987–1998	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
Member of the Council of the British-Swiss Chamber of Commerce
Member of the European CFO Network
Sponsor of academic awards and research grants at Robinson College, Cambridge

Hans-Ulrich Meister
Born 1959
Swiss Citizen
Member since 2008
Joint Head of Private Banking & Wealth Management
Regional CEO Switzerland

Professional history

2008–present	Credit Suisse Joint Head of Private Banking & Wealth Management (2012–present) Regional CEO Switzerland (2008–present) CEO of Private Banking (2011–2012) Chairman of Clariden Leu AG (2011–2012) Board member of Clariden Leu AG (2008–2012) Head of Private & Business Banking Switzerland (2008–2011)
1983–2007	UBS Member of the group management board (2004–2007) Head of private and business banking (2005–2007) Head of large corporates and multinationals (2003–2005) Wealth management USA, New York (2002–2003) Head of corporate banking region Zurich (1999–2002) Various functions (1983–1999)

Education

2000/2002	Advanced Management programs at Wharton School, University of Pennsylvania, and Harvard Business School, Massachusetts

1987	Economics and Business Administration, University of Applied Sciences, Zurich

Other activities and functions
Swiss Finance Institute, foundation board member
Zurich Chamber of Commerce, board member and board committee member
International Center for Monetary and Banking Studies (ICMB),
foundation board member
Ulrico Hoepli Foundation, foundation board member
Stiftung Zurich Zoo, foundation board member
191

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 Swiss Insurance Company Member of the executive board (2006) Chief Risk Officer (2003–2006) Head of risk management (2001–2003)
1998–2001	McKinsey & Company, consultant

Education

1998	Licentiate/Master of Science in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich
1994	Engineering degree, Higher Technical Institute (HTL), Winterthur

Other activities and functions
Member of the International Financial Risk Institute

Timothy P. O'Hara
Born 1964
US Citizen
Member since 2014
Joint Head of Investment Banking

Professional history

1986–present	Credit Suisse Joint Head of Investment Banking, responsible for the Equities business (2014–present) President and CEO of Credit Suisse Securities (USA) LLC (2012–present) Global Head of 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) Global Head of Leveraged Finance (2005–2008) Global Head of High Yield Capital Markets and Head of US High Yield Capital Markets (2000–2005) Head of Origination/Banking, High Yield (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
192

Robert S. Shafir
Born 1958
US Citizen
Member since 2007
Joint Head of Private Banking &
Wealth Management
Regional CEO Americas

Professional history

2007–present	Credit Suisse Joint Head of Private Banking & Wealth Management (2012–present) Regional CEO Americas (2012–present) CEO of Asset Management (2008–2012) CEO of the Americas region (2007–2010)
1990–2006	Lehman Brothers Senior Relationship Manager (2005-2006) Head of global equity division (2000–2005) Head of global equity trading (1998–2000) Head of European equity (1996–1998) COO European equity (1995–1996) Head of Lehman Commercial Paper (1994–1995) Senior positions in Preferred Stock Sales (1990–1994)
1984–1990	Morgan Stanley, vice president, preferred stock business within the fixed income division

Education

1984	MBA, Columbia University, Graduate School of Business, New York
1980	BA in Economics, Lafayette College, Pennsylvania

Other activities and functions
Cystic Fibrosis Foundation, board member

Pamela A. Thomas-Graham
Born 1963
US Citizen
Member since 2010
Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets

Professional history

2010–present	Credit Suisse Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets (2013–present) Chief Talent, Branding and Communications Officer (2010–2013)
2008–2010	Angelo, Gordon & Co., managing director in the private equity group
2005–2008	

	Liz Claiborne Inc., several senior management positions, including senior vice president of Global Brand Development
1999–2005	NBC
	NBC Universal/CNBC, president, CEO and chair (2001–2005)
	NBC Universal/CNBC, president and COO (2001)
	CNBC.com, president and CEO (1999–2001)
1989–1999	McKinsey & Company
	Partner (1995–1999)
	Associate (1989–1995)
Education	
1989	JD, Harvard Law School, Massachusetts
1989	MBA, Harvard Business School, Massachusetts
1985	BA in Economics, Harvard University, Massachusetts

Other activities and functions

The Clorox Company, board member

Parsons School of Design, board of governors member

Museum of Modern Art, Trustee Education Committee, member

Council on Foreign Relations, member

Economic Club of New York, member

Eaglebrook School, board member

Metropolitan Museum of Art, member of the Business Committee

New York Philharmonic, board member

Additional information

Changes in control and defense measures

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 >>>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

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 in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the case of a change in control 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.

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 Compensation Committee or the Board. In the case of a change in control, there are no provisions in the employment contracts of Executive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

Internal and external auditors

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 250 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 Regulations of 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 areas of audit concentration 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.

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services.

Fees paid to external auditors

	2014	2013	% change

Fees paid to external auditors (CHF million)			
Audit services [1]	39.8	36.7	8
Audit-related services [2]	6.7	6.4	5
Tax services [3]	2.4	4.9	(51)

1
Audit fees 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.
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 2014 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.

American Depositary Share fees

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.

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.

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.

Amounts paid by the Depositary to the Group

In accordance with the Group's engagement letter, in 2014 the Depositary made payments to the Group of USD 1.2 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.

Liquidation

Under Swiss law and our AoA, we 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 we are 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 events.

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.

Compensation

Dear shareholders

In 2014, the environment for compensation regulation and practices was characterized by continued regional fragmentation in compensation related regulatory developments and significant divergence in compensation levels for comparable financial services functions between the US and Europe. In addition, unusual market conditions as reflected in unprecedented low interest rates and volatility, as well as further evolution in the capital rules, caused banking sector participants to reexamine their strategies. Against this backdrop, the Compensation Committee of the Board (Compensation Committee) and senior management continued to review and refine our compensation practices in pursuit of the right balance between meeting shareholders' expectations in terms of performance-based compensation, paying our employees competitively in line with the market, and responding appropriately to the regulatory environment.

Key developments in 2014

The Group strives for competitiveness by paying market-informed, competitive compensation levels for comparable roles and experience. The Compensation Committee uses the services of external compensation consultants to benchmark compensation levels against relevant peers. Taking into account geographical variations of pay levels for similar roles and responsibilities has become increasingly important in the last few years. More pronounced regulatory interventions within the EU have resulted in significant differences between Europe and the US, both in terms of structure (fixed versus variable pay) and absolute levels of compensation. Following a review of leading providers with particular emphasis on the ability to provide comprehensive access to performance and reward data within the financial services industry, the Compensation Committee appointed McLagan as new independent compensation adviser effective May 2014.

The Compensation Committee assessed the compensation-related implications of the Capital Requirements Directive IV (CRD IV) for our employees in EU locations. After obtaining the required approvals, the Compensation Committee supported a cap on variable compensation of two times fixed compensation for affected employees. In line with market practice, it also approved the introduction of fixed allowances based on the role and organizational responsibility of the employees, which are treated as fixed compensation for the purpose of calculating the referenced cap.

As indicated in last year's Compensation Report, there is emerging regulatory demand to extend the period of time during which variable compensation awards may be recovered beyond the respective dates of vesting and distribution to the employee. In line with this, the Prudential Regulation Authority (PRA) in the UK mandated in 2014 that all variable compensation awards granted to employees defined as "PRA Code Staff" after January 1, 2015, contain provisions enabling the Group to "claw back" compensation for seven years from the grant date. 2014 variable compensation granted to "PRA Code Staff" includes terms to comply with these extended clawback provisions.

In addition to these mandatory changes, the compensation structure for the Board of Directors (Board) was reviewed and modified. In the interest of transparency a more granular fee structure was introduced reflecting the respective roles and responsibilities of the Board members. Moreover, 2014 variable compensation for the Executive Board is based on the revised structure as outlined in the 2013 Compensation Report. Apart from this, the Compensation Committee decided to leave the compensation structure and applicable deferred compensation instruments for the broader employee population largely unchanged from 2013.

Compensation decisions in 2014

In 2014, the Group's revenues were in line with prior periods despite the challenging market conditions. Private Banking & Wealth Management achieved net new assets growth in line with our expectations and improved strategic results in terms of pre-tax income and cost/income ratio. Improved Investment Banking results for 2014 reflect the strength of our diversified franchise with stable revenues and increased capital efficiency. Investment Banking continued to make progress reducing risk-weighted assets and Swiss leverage exposure when denominated in US dollars, in the strategic and non-strategic units. Shared services functions provided a robust control environment, while supporting the business in the transition to new regulatory requirements, making significant progress on a number of major infrastructure projects.

Despite these notable achievements, the economic value of variable incentive compensation awarded for 2014 for the Group was 9% lower than in 2013, reflecting continued compensation discipline and stable reported pre-tax income, including the impact of the final settlement regarding all outstanding US cross-border matters.

Due to the substantial impact of the US cross-border settlement – the most significant and longstanding regulatory and litigation issue for Credit Suisse – both the Board and Executive Board agreed to a voluntary reduction to their compensation that would otherwise have been awarded to them for 2014. The total compensation for the Board was reduced by approximately 25% and the variable compensation for the Executive Board was reduced by the equivalent of 20% of the amount that would have otherwise been granted. This agreement reflected the view that the event should have consequences for the compensation of the Group's top supervisory and management bodies, in order to accept the collective responsibility these bodies bear in safeguarding the long-term reputation and professional integrity of the Group's businesses globally, regardless of which individuals serve as directors or officers within these bodies at any given time.

Consequently, the Board approved a 50% reduction in their share-based compensation for 2014, which is approximately 25% of their total compensation. For those members who were part of the Executive Board at the time of the settlement, a downward adjustment was applied equivalent to 20% of the amount that would have otherwise been granted as variable compensation for 2014. Of this amount, half was deducted from the amount that would have been awarded as long-term incentive (LTI) awards for 2014 and half was deducted from existing unvested LTI incentive awards granted for 2013. Including the voluntary adjustment, which was applied to LTI awards granted for 2014, the proposed Executive Board variable compensation for 2014 is 17% lower than the amount awarded for 2013.

Annual General Meeting of Shareholders 2015

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), compensation of the Board and the Executive Board will be subject to binding shareholder votes for the first time at the 2015 Annual General Meeting of Shareholders (AGM). Accordingly, shareholders will be asked to approve:

– Executive Board aggregate variable compensation for the 2014 financial year (retrospective vote)
– Maximum aggregate fixed compensation for the Executive Board for the period 2015 AGM to 2016 AGM (prospective vote)
– Maximum aggregate compensation for the Board for the period 2015 AGM to 2016 AGM (prospective vote)

In reviewing various options to obtain shareholder approval, we concluded that a prospective vote is warranted for the compensation of the Board and all fixed compensation elements of the Executive Board. However, in the interest of "pay for performance" alignment, we decided to propose a retrospective vote on variable compensation for the Executive Board in the context of actual performance figures for the preceding financial years. Irrespective of these binding votes, we will continue to submit the entire Compensation Report for a consultative vote as was our practice in the past.

Focus areas in 2015

The Group is committed to responsible compensation practices with particular emphasis on ethics, risk, control and compliance as a basis for disciplined execution and the discouragement of excessive risk taking. In this context, the Compensation Committee will continue to closely monitor how risk and internal control considerations are captured in performance reviews and how the respective assessments affect compensation recommendations.

Furthermore, the effectiveness of malus and clawback provisions in our compensation plans will remain in the focus of the Compensation Committee in 2015. The recovery of compensation awards after vesting and distribution to the employee is unchartered territory in some jurisdictions. However, whenever necessary we will pursue the application of clawback to the full extent permitted under applicable law.

For 2015, the performance evaluation and the structure of Executive Board compensation will remain essentially similar to the approach for 2014.

The Compensation Committee will ensure full compliance with regulatory developments and will closely monitor market trends to maintain our competitive compensation structure in line with best practice.

Finally, the Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2014. 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. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations and the Compensation Committee charter.

Jean Lanier
Chairman of the Compensation Committee
Member of the Board of Directors
March 2015

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 20, 2015 of Credit Suisse Group AG (the "Group") for the year ended December 31, 2014. 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 214 to 226 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, 2014 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 20, 2015

198

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 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 November 2013, the Swiss Federal Council approved the Compensation Ordinance, which came into effect on January 1, 2014. In accordance with the Compensation Ordinance and the modified AoA, beginning with the 2015 AGM, the shareholders will vote 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. Effective as of May 2014, 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. Johnson Associates provided these advisory services until May 2014. 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 appointment, 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 Chief Executive Officer (CEO) may attend the Compensation Committee meetings, and the Compensation Committee chairman determines the attendance of other Board members, Executive Board members, senior management, compensation advisers and external legal counsel, as appropriate.

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 the respective management teams for the previous year. This provides the basis for a recommendation of the overall compensation pools for the business divisions and Shared Services 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, Legal and Compliance 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 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" for further information.

During 2014, the Compensation Committee held 10 meetings, with the following focus areas:

– assessing the performance of the Group and determining the divisional compensation pools for recommendation to the Board;
– reviewing the level and composition of compensation for Executive Board members and members of the Board, taking into account the key issues raised by shareholders, the impact of the US cross-border settlement in May 2014 and emerging best practice among peer companies;
– 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 CRD IV regulations;
– further enhancing the compensation process for Covered Employees (which include MRTC as well as certain other employees, as defined below) in line with regulatory guidance; and
– monitoring the link between employee behavior and compensation levels, including any impact of employee misconduct on compensation.

The Compensation Committee chairman maintains an active dialogue with the Group's principal regulators about compensation governance and plans. In addition, he engages with shareholders and their representatives regarding the compensation policy and plans.

Approval authority

The approval authorities for setting compensation policy and compensation for different groups of employees are defined in the Group's Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter (available at www.credit-suisse.com/governance).

Board approval, based on the recommendation of the Compensation Committee, is required to:

– establish or amend the Group's compensation policy;
– establish or amend the compensation plans;
– determine the variable compensation 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.

Pursuant to the Compensation Ordinance, compensation of the Board and the Executive Board is approved annually by the AGM either as a maximum aggregate amount or as maximum partial amounts for the respective compensation components.

The Compensation Committee assessed the implications of the CRD IV regulations. In accordance with these regulations, a cap on variable compensation of two times fixed compensation was implemented for applicable employees after obtaining the required approvals. We also introduced fixed allowances as a compensation component

for applicable employees subject to the CRD IV regulations, in line with market practice. These fixed allowances are determined based on the role and organizational responsibility of the employees.

In July 2014, the PRA in the UK mandated that all variable compensation awards granted to employees that meet the definition of "PRA Code Staff" on or after January 1, 2015 contain provisions enabling the Group to clawback variable compensation for seven years from the grant date. These provisions were included in awards granted to "PRA Code Staff" in January 2015.

Determination of variable compensation pools

In determining the variable compensation pools (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 indicators (KPIs) 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 compensation expense, after deducting a capital usage charge that is calculated based on regulatory capital. Such regulatory capital is defined for the Investment Banking and Private Banking & Wealth Management divisions as the average of 10% of average divisional >>>Basel III >>>risk-weighted assets and 2.4% of average divisional leverage exposure, and regulatory capital is defined for the Group as the sum of both divisions. For this measure, the Group and divisional results exclude the funding valuation adjustments (FVA), significant litigation provisions and settlements as approved by the Compensation Committee, and the Group results also exclude 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 longer-term, subject to Group performance and market conditions.

The performance-based 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.

The total amount of the Shared Services pool is determined based on Group-wide financial performance, measured in the form of Group economic contribution and qualitative measures and is not linked to the performance of the particular divisions that the Shared Services employees support. Therefore, Shared Services employees, 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 Shared Services 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 Shared Services 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 compensation to employees based on individual and business area performance, subject to the constraints of the pool size. The Shared Services pool is allocated to the various functions within Shared Services 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 peer groups and relevant metrics used are reviewed annually by the Compensation Committee and tracked throughout the year.

The peer groups used in 2014 for the Group and the divisions are shown in the following table, along with the specific performance criteria used for assessing relative performance. Most of these peer companies mention Credit Suisse as one of their peers for the purposes of compensation benchmarking.

2014 peer groups and performance criteria[1]

Credit Suisse Group	
Peer group	Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS
Performance criteria	
Profitability and efficiency	Return on equity, pre-tax income margin and compensation/revenue ratio
Growth	Earnings per share growth, net revenue growth, net new assets growth and total assets under management growth
Capital and risk	Tier 1 ratio, look-through CET1 ratio, leverage ratio, Value-at-Risk and risk-weighted assets development
Shareholder satisfaction	Total shareholder return over one year, total shareholder return over two years and book value per share growth
Private Banking & Wealth Management	
Peer group	Allianz, BlackRock, Deutsche Bank, Goldman Sachs, HSBC, Julius Bär Group, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax income margin, pre-tax income on assets under management and gross margin
Growth	Net revenue growth, pre-tax income growth and net new assets growth
Investment Banking	
Peer group	Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax return on economic risk capital, pre-tax income margin and compensation/revenue ratio
Growth	Net revenue growth and pre-tax income growth
Capital and risk	Net revenue/Value-at-Risk

1
The Credit Suisse Group and Investment Banking peer groups for 2014 remain unchanged compared to the peer groups used in the Annual Report 2013. Barclays was removed from the Private Banking & Wealth Management peer group for 2014 due to insufficient disclosure.

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 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 about individual variable compensation awards. The control functions are independent from the businesses and include Legal and Compliance, Risk Management, Finance, Human Resources and Internal Audit. Regional disciplinary review committees include the input of the Group's control functions and make recommendations on disciplinary measures, as necessary. Such measures can include the reduction or elimination of the employee's variable 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 compensation.

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 Shared Services functions of Internal Audit, Finance, Risk Management, Legal and Compliance and Talent, Branding and Centers of Excellence, 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 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 MRTC

MRTC are subject to heightened levels of scrutiny over the alignment of their performance and compensation. MRTC and their managers are required to incorporate risk considerations in their performance evaluations. This includes specifying the types of risk applicable to the individual employee when reviewing performance and subsequently setting risk-adjusted variable 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.

Covered Employees

In response to requirements of the US Federal Reserve, the Group has identified two additional groups of US-based employees, who are also subject to the compensation processes that apply for MRTC. The broader group is collectively known as Covered Employees, and is comprised of:
– MRTC;
– all US-based revenue producers in Investment Banking; and
– all branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division.

Malus provisions

All deferred compensation awards contain provisions that enable the Group to reduce or cancel the awards of employees whose individual behavior has had a materially detrimental impact on the Group.

Additional malus provisions apply that can be triggered in cases 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.

> Refer to "Compensation design" for further information on deferred compensation.
> Refer to "Performance share awards" 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, recently enacted regulations require the introduction of additional provisions enabling the Group, subject to conditions, to claim back variable compensation even after vesting and distribution to the employee (clawback). The PRA in the UK was the first regulator to mandate that variable compensation granted to "PRA Code Staff" in 2015 is subject to clawback for seven years after the grant

date.

Compensation design

The Group's total compensation approach comprises fixed and variable compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice, and fixed allowances for certain employees. Variable compensation is awarded annually and is dependent on Group, divisional and individual performance. The percentage mix between fixed and variable compensation varies according to the employee's seniority, business and location.

Variable compensation for 2014 was awarded primarily in the form of unrestricted cash, share-based awards and Contingent Capital Awards (CCA). Share-based awards and CCA are deferred variable 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 were introduced in 2014 as a new component of compensation for "PRA Code Staff" and other employees identified as risk-takers under EU regulatory requirements. These fixed allowances were 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 compensation as required by the CRD IV. For 2014, fixed allowances were comprised of a cash component paid during 2014 and a share component subject to vesting over a period of three years and on-going employment.

Variable compensation and deferral rates

For 2014, variable compensation was paid in unrestricted cash unless the total compensation awarded to an employee for 2014 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 USD), in which case a portion was paid in unrestricted 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. The deferred portion for 2014 ranged from 17.5% to 90% of variable compensation, unchanged from 2013, and the amount of variable compensation paid as unrestricted cash for 2014 was capped at CHF 2 million or the local currency equivalent (or USD 2 million for employees whose total compensation is denominated in USD) per employee. For 2014, 41,809 employees received variable compensation, representing 91% of total employees, of which 801 were classified as MRTC.

> Refer to "Number of employees awarded variable and other compensation" for further information.

Unrestricted cash

Generally, employees receive the cash portion of their variable compensation as unrestricted cash 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 unrestricted 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 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 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 compensation to be granted as share awards by the applicable share price of CHF 20.21, as approved by the Board of Directors in January 2015. The final value of the share awards is solely dependent on the share price at the time of delivery. Share awards granted since January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 7,583 employees were granted share awards for 2014.

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. For employees in the business divisions, the malus provision applies in the event of a divisional loss or a negative strategic return on equity (ROE) of the Group, whichever results in a larger adjustment. For employees in Shared Services, the negative adjustment only applies in the event of a negative strategic 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. Performance share awards for 2013 were based on underlying ROE, while performance share awards for 2014 were based on strategic ROE, in line with the change in the Group's reporting structure.

> Refer to "Core results" in the II – Operating and financial review for a summary of strategic results.

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 short term incentive, 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 since January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 1,752 employees were granted performance share awards for 2014. Managing directors and almost all employees classified as MRTC received at least 50% of their deferred variable 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 capital instruments referred to as contingent convertible instruments. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents; for CCAs granted in January 2015 interest rate equivalents are paid until settlement at a rate of 4.85% per annum over the six-month Swiss franc >>>London Interbank Offered Rate (LIBOR) for Swiss franc-denominated awards or 5.75% 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 could elect to receive CCA denominated in Swiss francs or US dollars, 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 grant. However, because CCA qualify as additional tier 1 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 Group intends in future years to continue to grant CCA as one of its annual deferred variable compensation awards. CCA will be 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.

The total CCA awarded had a fair value of CHF 360 million and a total of 5,891 employees received CCA for 2014.

205

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 2014, this applied to approximately 295 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. Employee pledging of unvested share-based awards is also prohibited, except with the express approval of the Compensation Committee. The Group applies minimum share ownership requirements, inclusive of unvested awards, for members of the divisional and regional management committees, as follows:

– Executives responsible for Private Banking & Wealth Management and Investment Banking: 50,000 shares; and
– Executives responsible for Shared Services functions: 20,000 shares.

> Refer to “Minimum share ownership requirements” in 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 2014 and 2013.

Total compensation awarded

For			2014			2013
	Unrestricted	Deferred	Total	Unrestricted	Deferred	Total
Fixed compensation (CHF million)						
Salaries	5,417	89	5,506	5,525	–	5,525
Social security	793	–	793	778	–	778
Other	657[1]	–	657	800[1]	–	800
Total fixed compensation	**6,867**	**89**	**6,956**	**7,103**	**–**	**7,103**
Variable incentive compensation (CHF million)						
Unrestricted cash	1,653	–	1,653	1,570	–	1,570
Share awards	36	642	678	18	827	845
Performance share awards	–	529	529	–	663	663
Contingent Capital Awards	–	360	360	–	391	391
Other cash awards	–	54	54	–	142	142
Total variable incentive compensation	**1,689**	**1,585**	**3,274**	**1,588**	**2,023**	**3,611**
Other variable compensation (CHF million)						
Cash severance awards	176	–	176	150	–	150
Sign-on awards	13	58	71	18	62	80
Cash-based commissions	220	–	220	198	–	198
Total other variable compensation	**409**	**58**	**467**	**366**	**62**	**428**
Total compensation awarded (CHF million)						
Total compensation awarded	**8,965**	**1,732**	**10,697**	**9,057**	**2,085**	**11,142**
of which guaranteed bonuses [2]	–	–	51	–	–	55

1

Includes pension and other post-retirement expense of CHF 361 million and CHF 490 million in 2014 and 2013, respectively.

2

Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Total compensation awarded for 2014 was CHF 10.7 billion, down 4% compared to 2013, with reductions in fixed compensation and share awards. Total variable incentive compensation awarded for 2014 was CHF 3.3 billion, down 9% compared to 2013. Of the total variable incentive compensation awarded across the Group for 2014, 48% was deferred and subject to certain conditions including future service, performance, market and malus criteria.

Cash severance awards relating to terminations of employment of CHF 189 million and CHF 263 million were paid in 2014 and 2013 to 1,552 and 2,189 employees, respectively. Sign-on awards of CHF 13 million and CHF 18 million were paid to 102 and 83 employees in 2014 and 2013, respectively.

Number of employees awarded variable and other compensation

	MRTC[1]	Other employees	2014 Total	MRTC[1]	Other employees	2013 Total
Number of employees awarded variable compensation						
Variable compensation	**801**	**41,008**	**41,809**	**503**	**41,220**	**41,723**
of which unrestricted cash	801	41,008	41,809	503	41,220	41,723
of which share awards	789	6,794	7,583	486	7,077	7,563
of which performance share awards	764	988	1,752	461	1,230	1,691
of which Contingent Capital Awards	767	5,124	5,891	470	5,209	5,679
or which other cash awards	63	230	293	62	283	345
Number of employees awarded other variable compensation						
Cash severance awards	6	1,546	1,552[2]	3	2,186	2,189[2]
Sign-on awards	13	203	216	6	166	172
Cash-based commissions	–	357	357	0	369	369
Guaranteed bonuses	9	129	138	9	132	141

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 Investment Banking and branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division, 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 and 2013.

Compensation awarded to Material Risk Takers and Controllers

The 801 employees classified as MRTC were awarded total compensation of CHF 1,644 million for 2014 and total variable compensation of CHF 1,134 million for 2014, of which CHF 943 million, or 83%, was deferred. MRTC received 50% of their deferred compensation for 2014 in the form of performance share awards or other awards which are subject to performance-based malus provisions. The number of employees classified as MRTC in 2014 increased compared to 2013, primarily as a result of all UK managing directors being classified as "PRA Code Staff".

Compensation awarded to Material Risk Takers and Controllers

For	Unrestricted	Deferred	2014 Total	Unrestricted	Deferred	2013 Total
Fixed compensation (CHF million)						
Total fixed compensation	**492**	**–**	**492**	**247**	**–**	**247**
Variable incentive compensation (CHF million)						
Unrestricted cash	191	–	191	138	–	138
Share awards	–	278	278	–	255	255
Performance share awards	–	426	426	–	407	407
Contingent Capital Awards	–	191	191	–	177	177
Other cash awards	–	48	48	–	125	125
Total variable incentive compensation	**191**	**943**	**1,134**	**138**	**964**	**1,102**
Other variable compensation (CHF million)						
Cash severance awards	5	–	5	1	–	1
Sign-on awards	–	13	13	0	5	5
Cash-based commissions	–	–	–	0	–	0
Total other variable compensation	**5**	**13**	**18**	**1**	**5**	**6**

Total compensation (CHF million)						
Total compensation	**688**	**956**	**1,644**	**386**	**969**	**1,355**
of which guaranteed bonuses [1]	2	5	7	3	11	14

1
Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Group compensation and benefits expense

Compensation and benefits expenses recognized in the current year income statement include salaries, fixed allowances, variable compensation, benefits and employer taxes on compensation. Variable compensation expense mainly reflects the unrestricted cash compensation for the current year, amortization of deferred compensation awards granted in prior years, and severance, sign-on and commission payments. Deferred variable 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 2014, total compensation and benefits expenses were stable compared to 2013, as higher variable compensation expense, related to higher amortization expense from deferred compensation awards granted in prior years, was largely offset by lower salary expense, reflecting our cost efficiency initiatives.

Group compensation and benefits expense

in			2014			2013
December 31	Current compen-sation	Deferred compen-sation	Total	Current compen-sation	Deferred compen-sation	Total
Fixed compensation expense (CHF million)						
Salaries	5,417	18	5,435	5,525	–	5,525
Social security [1]	793	–	793	778	–	778
Other	657 [2]	–	657	800 [2]	–	800
Total fixed compensation expense	**6,867**	**18**	**6,885**	**7,103**	**–**	**7,103**
Variable incentive compensation expense (CHF million)						
Unrestricted cash	1,653	–	1,653	1,570	–	1,570
Share awards	36	921 [3]	957	18	814 [3]	832
Performance share awards	–	611	611	–	590	590
Contigent Capital Awards	–	214	214	–	–	–
Capital Opportunity Facility Awards	–	13	13	–	–	–
Plus Bond awards	–	36	36	–	37	37
2011 Partner Asset Facility awards [4]	–	7	7	–	77	77
Adjustable Performance Plan share awards	–	–	–	–	31	31
Adjustable Performance Plan cash awards	–	–	–	–	4	4
Restricted Cash Awards	–	92	92	–	145	145
Scaled Incentive Share Units [5]	–	(3)	(3)	–	41	41
Incentive Share Units [5]	–	–	–	–	(3)	(3)
2008 Partner Asset Facility awards [4]	–	87	87	–	93	93
Other cash awards	–	404	404	–	434	434
Discontinued operations	–	(8)	(8)	(6)	(21)	(27)
Total variable incentive compensation expense	**1,689**	**2,374**	**4,063**	**1,582**	**2,242**	**3,824**
Other variable compensation expense (CHF million)						
Severance payments	152	–	152	113	–	113
Sign-on payments	13	–	13	18	–	18
Commissions	221	–	221	198	–	198
Total other variable compensation expense	**386**	**–**	**386**	**329**	**–**	**329**
Total compensation expense (CHF million)						

Total compensation expense	**8,942**	**2,392**	**11,334**[6]	**9,014**	**2,242**	**11,256**[6]

1
Represents the Group's portion of employees' mandatory social security.
2
Includes pension and other post-retirement expense of CHF 361 million and CHF 490 million in 2014 and 2013, respectively.
3
Includes CHF 19 million and CHF 23 million of compensation expense associated with other share awards granted in 2014 and 2013, 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 275 million and CHF 216 million in 2014 and 2013, respectively.
208

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 2014 and prior years that were outstanding as of December 31, 2014, with comparative information for 2013. 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		2014	Deferred compensation		2013
	For 2014	For prior-year awards	Total	For 2013	For prior-year awards	Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	643	762[1]	1,405	823	804[1]	1,627
Performance share awards	533	231	764	660	221	881
Contingent Capital Awards	418	210	628	433	–	433
Capital Opportunity Facility awards	–	5	5	–	–	–
Plus Bond awards [2]	–	4	4	–	18	18
Adjustable Performance Plan share awards	–	–	–	–	11	11
Adjustable Performance Plan cash awards	–	–	–	–	13	13
Restricted Cash Awards	–	41	41	–	136	136
Other cash awards	55	166	221	136	111	247
Estimated unrecognized compensation expense	**1,649**	**1,419**	**3,068**	**2,052**	**1,314**	**3,366**

1

Includes CHF 39 million and CHF 39 million of estimated unrecognized compensation expense associated with other share awards granted to new employees in 2014 and 2013, 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. Currently, the Group intends to cover the majority of its future share delivery obligations through market purchases.

Share-based awards outstanding

At the end of 2014, there were 133.2 million share-based awards outstanding, including 77.1 million share awards, 48.2 million performance share awards, and 7.3 million Adjustable Performance Plan share awards. The remaining balance consisted of other awards relating to prior years that are no longer part of current compensation plans.

The number of shares issued as of the end of 2014 was 1,607 million. Additionally, the Group had 550 million shares available to support contingent capital instruments, including 499 million shares relating to high-trigger capital instruments already issued in the market that must convert into common equity pursuant to certain trigger events under their terms, including if the CET1 ratio falls below 7% or upon a non-viability event.

These instruments increase loss-absorbing regulatory capital without diluting shareholders' equity at the time of their issuance. The number of outstanding share-based awards represented 6.2% of shares both issued and potentially issuable in respect of contingent capital instruments as of the end of 2014. The Group intends to continue to use CCA in future years as part of its compensation program, partly in lieu of share-based awards. The Group's intention is to decrease the number of outstanding share-based awards to approximately 5% of shares issued and potentially issuable over the long term.

Subsequent activity

In early 2015, the Group granted approximately 37.2 million new share awards and 30.7 million new performance share awards with respect to performance in 2014. In lieu of granting additional share awards in 2015, the Group awarded CHF 360 million of deferred variable compensation in the form of CCA (equivalent to approximately 17.8 million share-based awards, had they been granted).

In the first half of 2015, the Group plans to settle 65.1 million deferred awards from prior years, including 35.8 million share awards, 22.5 million performance share awards, 6.8 million Adjustable Performance Plan share awards. The Group plans to meet this delivery obligation through market purchases and intends to use available conditional capital only to support the equity position of the Group in the event that the look-through CET1 ratio appears likely to fall short of the Basel III capital requirements as implemented by the “Swiss Too Big to Fail” legislation.

> Refer to “Regulatory capital and ratios – Group” 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), 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, positive or negative performance for the Adjustable Performance Plan 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 Adjustable Performance Plan awards.

The following table provides a comparison of the fair values of outstanding deferred compensation awards at the end of 2013 and 2014, respectively, indicating the value of changes due to implicit and explicit adjustments. For 2014, the change in fair value for all outstanding deferred compensation awards was primarily due to implicit adjustments driven by changes in the Group share price, foreign exchange rate movements and changes in the value of the COF and CCA during the period.

Fair value of outstanding deferred compensation awards

		Change in value		
in / end	2013	Implicit	Explicit	2014
Share-based awards (CHF per unit)				
Share awards granted for 2011 [1]	27.3	(2.2)	0.0	25.1
Share awards granted for 2012 [2]	27.3	(2.2)	0.0	25.1
Share awards granted for 2013 [3]	28.1	(3.0)	0.0	25.1
Performance share awards granted for 2011 [1]	27.3	(2.2)	0.0	25.1
Performance share awards granted for 2012 [2]	27.3	(2.2)	0.0	25.1
Performance share awards granted for 2013 [3]	28.1	(3.0)	0.0	25.1
Adjustable Performance Plan share awards	30.2	(2.2)	0.8	28.8
Cash-based awards (CHF per unit)				
2008 Partner Asset Facility awards (PAF)	2.01	0.39	0.00	2.40
Adjustable Performance Plan cash awards granted for 2010	1.05	0.12	0.03	1.20
Plus Bond awards granted for 2012 [2]	1.02	0.40	0.00	1.42
Contingent Capital Award for 2013 [3]	1.00	0.11	0.00	1.11
Contingent Capital Award from converted PAF2 award	1.00	0.13	0.00	1.13

Capital Opportunity Facility from converted PAF2 award	1.00	0.16	0.00	1.16

1
Represents awards granted in January 2012 for 2011.
2
Represents awards granted in January 2013 for 2012.
3
Represents awards granted in January 2014 for 2013.

Executive Board compensation

Governance

Compensation payable to the Executive Board members, including the CEO, is approved by the Board, based on the recommendation of the Compensation Committee. The compensation of the Executive Board is approved annually at the AGM either as a maximum aggregate amount or as maximum partial amounts for the respective compensation components pursuant to the Compensation Ordinance. In determining its recommendation to the Board, the Compensation Committee assesses the performance of the Executive Board members, including the CEO, based on actual performance compared to pre-defined individual objectives and targets.

Basis of determining compensation for Executive Board members

For 2014, the Compensation Committee defined both individual target levels of incentive compensation, and individual caps, both expressed as a multiple of base salary, limiting the total amount of compensation that may be awarded. The Compensation Committee also established financial and non-financial performance criteria for each Executive Board member, including the CEO, which were published in the 2013 Annual Report – Compensation section.

In determining the compensation targets and caps, competitive market levels of compensation for each individual role, with reference to the relevant group of peers were taken into account. The market data on executive compensation levels was provided to the Compensation Committee by Johnson Associates, which was the compensation adviser at the time the 2014 targets and caps were set.

> Refer to “Competitive benchmarking” in Group compensation for a list of peer groups.

The criteria used to assess the individual performance of the Executive Board members consist of pre-defined objective financial measures consistent with the Group’s KPIs, as well as qualitative factors. The Compensation Committee has discretion to recommend to the Board that the incentive awards resulting from this performance assessment be adjusted by a factor of up to plus or minus 20%. The Board is committed to aligning incentive compensation with challenging performance criteria, and this element of flexibility enables the Board to determine the final individual awards after taking into account prevailing market conditions among other factors. This discretion is limited by the individual cap levels described above, and total Executive Board incentive compensation is also subject to the overall cap of 2.5% of Group strategic net income.

Performance evaluation for 2014

In January 2015, the Compensation Committee completed its performance evaluation for the 2014 financial year for the Group and the individual assessments of the Executive Board members. The Compensation Committee compared the outcome of the financial measurements to the pre-defined targets for 2014 as set out in the 2013 Compensation Report, excluding significant litigation provisions and settlements as approved by the Compensation Committee as well as fair value gains and losses from movements in own credit spreads, FVA and adjustments to risk-weighted assets due to methodology changes.

The CEO presented a qualitative assessment of the individual performance of each Executive Board member, which was then reviewed by the Compensation Committee. In the case of the CEO, the qualitative assessment was carried out by the Compensation Committee in consultation with the Chairman of the Board. The financial performance criteria for 2014 shown in the table below encompass the performance against profitability and cost targets, as well as progress towards the wind-down of non-strategic positions. The progress of the wind-down of non-strategic units was measured based on the achievement of reduction targets for risk-weighted assets and Swiss leverage exposure, as well as the attainment of non-strategic pre-tax income targets. The qualitative assessment took into account financial performance in areas that did not specifically form part of the previously defined quantitative financial targets, as well as non-financial elements of performance at the Group and divisional levels.

> Refer to II – Operating and financial review for a description of strategic and non-strategic results.

2014 performance against targets

Financial performance evaluation

At the Group level, the Compensation Committee noted the weakening of the profitability indicators in 2014, while the non-strategic results improved compared to the prior year. Reported core pre-tax income of CHF 3.2 billion in 2014 was down 8% compared to 2013, reflecting higher operating expenses which included the impact of the US cross-border settlement in May, partly offset by higher revenues. Excluding the impact from FVA, the Group's strategic after-tax return on equity in 2014 was 12.4%, slightly below the target return of 12.5%, reflecting the Group's focus on a strengthened capital base. Excluding the impact from FVA, the Group's strategic cost/income ratio in 2014 was 72.1% compared to the target of 71.0%, reflecting lower net revenues. The Group made good progress in winding down its non-strategic positions in 2014, achieving a 35% reduction in risk-weighted assets and a 25% decrease in Swiss leverage exposure compared to the prior year, and slightly below the year-end blended reduction target of 35%. Despite these achievements, non-strategic operating results were also slightly below target, mainly due to additional litigation provisions.

In Private Banking & Wealth Management, the cost/income ratio for 2014, excluding the US cross-border settlement charge of CHF 1,618 million, was 69.7% compared to a target of 69.0%, reflecting lower revenues from lower performance fees and lower net interest income. Strategic pre-tax income improved by 3% compared to 2013, due to a 5% reduction in expenses driven by significant efficiency improvements that was partly offset by lower revenues. The non-strategic unit also made good progress during

212

the year in comparison to the prior year, with risk-weighted assets reduced by 4% and Swiss leverage exposure reduced by 48%, exceeding the year-end blended reduction target of 35%, as well as on target non-strategic operating results.
In Investment Banking, the return on regulatory capital excluding FVA was 8.8% compared to a target of 11.3%, reflecting the continued impact from the non-strategic unit. In addition the Compensation Committee acknowledged the 17% return on regulatory capital delivered by the strategic businesses in 2014, which reflected improved capital efficiency and stable revenues of CHF 13.1 billion. The Investment Banking non-strategic unit made significant progress in winding-down capital positions when compared to the prior year, reducing risk-weighted assets by 51% and Swiss leverage exposure by 27%, exceeding the year-end blended reduction target of 35%. This measure was more than offset by the higher than expected loss in the non-strategic unit.
For the Shared Services functions, the Compensation Committee acknowledged the robust control environment combined with cost discipline and efficiency gains, while transitioning the business to new regulatory requirements, making significant progress on a number of major infrastructure projects. This was reflected in the achievement of lower total operating expenses when compared to the budgeted expenses for 2014, exceeding the target for the year.
> Refer to “Core results”, “Private Banking & Wealth Management”, “Investment Banking” and “Corporate Center” in II – Operating and financial review for discussions of the individual line items.
Non-financial performance evaluation
In connection with the non-financial performance criteria, the Compensation Committee, in conjunction with evaluations provided by the CEO, assessed the business and infrastructure development in terms of strategy execution, performance of the businesses and regions and delivery of major projects.
In regards to the business and infrastructure related criteria, the Compensation Committee recognized the continued strong efforts to reshape the businesses in response to the evolving environment.
Within the Private Banking & Wealth Management division, special consideration was given to the launch of a number of growth initiatives such as the lending program for the ultra-high-net-worth-individuals client segment, where loan volumes grew 39% in 2014. In addition, the Private Banking & Wealth Management division had several new product initiatives and strategies in place to expand the business into growing regions in order to counter the impact of the negative interest rate environment. 2014 was a critical year for digital innovation for the division. The development of the Digital Private Banking is expected to streamline our existing infrastructure and to deliver a global, unified and cutting-edge digital private banking experience to our clients. The Private Banking & Wealth Management division saw net new assets grow 3.5% in 2014, making good progress towards the long-term target. The Compensation Committee acknowledged these achievements as well as the high return on regulatory capital of 29% achieved by the strategic business in 2014.
In the Investment Banking division, the Compensation Committee recognized the division’s stable revenues despite the challenging and volatile market environment. The division has seen a broad-based increase in client activity across many of the businesses and played key roles in landmark initial public offerings (IPOs), advancing to number four in global IPO rankings. The division has been recognized around the world with a number of additional important rankings and awards. Furthermore, the Compensation Committee assessed the progress achieved in terms of other performance criteria such as capital strength, human capital management, risk management and building a strong compliance culture. The Compensation Committee recognized the progress made towards achieving a more balanced allocation of capital between our Private Banking & Wealth Management and Investment Banking divisions in order to improve operating efficiency and drive returns. Both divisions progressed in the winding-down of the non-strategic operations and reducing their capital consumption. The Private Banking & Wealth Management division completed the sale of the domestic private banking business booked in Germany and the sale of the local affluent and upper affluent business in Italy, both notable milestones for the division. The Investment Banking division sold the commodities trading portfolio which is reducing capital consumption in the division and it is expected to continue to improve our capital efficiency as the sale is completed. On the Group level, strong consideration was given to reaching the Basel III look-through CET1 ratio of 10.1% by year-end 2014 given the increasingly stringent regulatory environment.
For the Shared Services functions, the Compensation Committee recognized the significant progress in the global legal entity restructuring project, substantial rationalization of IT applications which reduced levels of complexity and operational risk while aligning to business and regulatory needs, and the delivery of new platforms and system

initiatives. In addition, the Compensation Committee acknowledged the ongoing strong focus on the Group's human capital strategy, which resulted in considerable progress in the reduction of involuntary attrition and early tenure attrition. During the year, an increase in the female population across all corporate titles was also achieved and continued progress made in internal hiring in line with our 'grow your own' strategy, which helped foster internal career development.

With respect to internal control, compliance and risk management considerations, the Compensation Committee was provided with input from the Audit and Risk Committees. The Compensation Committee acknowledged the good efforts made throughout the Group to improve the internal control environment through various measures, including compliance training, raising awareness about business conduct behaviors, improved risk management practices and the implementation of an enhanced operational risk framework.

In terms of operating efficiency, the Group achieved cost savings of CHF 3.5 billion as of year-end 2014, compared to the adjusted run rate cost base for the first half of 2011, measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses as well as variable compensation expenses. This cost efficiency program is expected to achieve the target of over CHF 4.5 billion cost savings by year-end 2015. Furthermore, an additional 3,200 deployments to the Centers of Excellence were completed during 2014 showing a continued strong momentum in building global talent and services.

2014 targets and caps for Executive Board members

	Target levels		Cap levels	
	Range for Executive Board members	CEO	Range for Executive Board members	CEO
Multiples of base salaries				
Short-term awards				
Unrestricted cash	0.3 – 0.8	0.5	0.6 – 1.4	0.8
Short-term incentive award	0.5 – 1.3	0.8	0.9 – 2.1	1.2
Long-term incentive award	0.8 – 2.1	1.4	1.5 – 3.5	2.0

Executive Board compensation for 2014 (audited)

	Variable compensation				Fixed compensation				
in	Unrestricted cash	Value of STI awards	Value of LTI awards[1]	Total variable compensation	Salaries and fixed allowances	Dividend equivalents[2]	Pension and similar benefits and other benefits[3]	Total fixed compensation	Total compensation[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 the 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 decisions

Based on the evaluation of the Group, divisional and individual performance, the Board agreed with the Compensation Committee's conclusion that overall, the Executive Board members had met their financial performance targets and significantly exceeded their non-financial targets for 2014. The Board approved the Compensation Committee's recommendations on the amount of incentive compensation to be awarded, subject to an adjustment relating to the US cross-border settlement.

Due to the substantial impact of the US cross-border settlement, the Board and Executive Board agreed to a voluntary reduction to the amounts of compensation that would otherwise have been awarded for 2014. The total compensation for the Board was reduced by approximately 25% and the variable compensation for the Executive Board was reduced by the equivalent of 20% of the amount that would have otherwise been granted. This agreement reflects the view that the event should have consequences for the compensation of the Group's top supervisory and management bodies, in order to accept the collective responsibility these bodies bear in safeguarding the long-term reputation and professional integrity of the Group's business globally, regardless of which individuals serve as directors or officers within these bodies at any given time.

In line with this voluntary agreement, the Compensation Committee applied a reduction affecting the members that were part of the Executive Board at the time of the settlement. The total value of downward adjustment was CHF 9.0 million, equivalent to 20% of the amount that would have otherwise been granted to such members of the Executive Board as variable compensation for 2014. Of such amount, CHF 4.7 million was deducted from the

amount that would have been awarded as LTI awards for 2014 and CHF 4.3 million was deducted from existing unvested LTI awards granted for 2013. The deduction was applied equally to the 2014 and 2013 LTI awards, except for the one Executive Board member who did not hold existing unvested LTI awards granted for 2013, in which case the entire 20% was deducted from the amount that would have otherwise been awarded as LTI awards for 2014. Including the voluntary adjustment, the aggregate amount of variable incentive compensation proposed by the Board for approval by the shareholders at the AGM totaled CHF 39.1 million for 2014, 17% lower than the CHF 47.4 million awarded in 2013. Including the voluntary adjustment, which was applied to LTI awards granted for 2014, the proposed variable incentive compensation for the individual members of the Executive Board averaged 5.7% above the individual target amounts and 38% below the individual caps. The components of the awards granted are shown in the "Executive Board compensation for 2014" table.

>Refer to "Executive Board Compensation proposed for approval at the 2015 AGM" in Executive Board compensation for more information.

2014 performance against targets for CEO

2014 total compensation of the CEO and highest paid Executive Board member

In its recommendation to the Board regarding incentive compensation for the CEO Mr. Dougan, who was also the highest paid Executive Board member, the Compensation Committee, in consultation with the Chairman, considered the solid financial position of the Group in 2014. Excluding the impact from FVA, the Group achieved a strategic after-tax return on equity of 12.4% in 2014 with continued momentum on strategy execution despite the challenging and volatile market conditions faced by the divisions and increasingly stringent regulatory environment. Excluding the impact from FVA, the Group's strategic cost/income ratio was 72.1% in 2014 compared to the target of 71.0%, reflecting lower net revenues. The Group made good progress in winding down its non-strategic positions in 2014, achieving a 35% reduction in risk-weighted assets and a 25% decrease in Swiss leverage exposure compared to the prior year, and slightly below the year-end blended reduction target of 35%. Despite these achievements, non-strategic operating results were also slightly below target, mainly due to additional litigation provisions. The Compensation Committee also considered the achievement of capital targets, in particular under Mr. Dougan's leadership, the achievement of Basel III look-through CET1 ratio of 10.1% at year-end 2014, exceeding the 10.0% year-end target. Furthermore, the Group improved its look-through Swiss leverage ratio to 3.9% at year-end 2014 from 3.7% at year-end 2013, approaching the FINMA requirement of 4.1% applicable in 2019. The Compensation Committee also recognized the progress made towards achieving the Group's challenging target of over CHF 4.5 billion in cost savings by year-end 2015. In terms of strategy execution, the Compensation Committee noted the growth and improvement of the strategic franchises with both divisions looking to innovative solutions for long-term sustainable business models. They also noted the strong emphasis on the reduction of risk-weighted assets and Swiss leverage exposure especially the divestitures and sales which were notable milestones helping the Group's progress towards winding these businesses down. As a particular achievement in 2014, the Compensation Committee acknowledged Mr. Dougan's strong leadership in managing the US cross-border settlement and its consequences. Given the strong performance of Mr. Dougan during 2014, the Board approved the recommendation of the Compensation Committee to award Mr. Dougan unrestricted cash of CHF 1.52 million, a STI award of CHF 2.28 million and a LTI award of CHF 3.05 million

after the voluntary downward adjustment, representing, in aggregate, 101% of his target compensation set for 2014.
Executive Board compensation for 2013

	Variable compensation				Fixed compensation				
in	Unrestricted 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]
2013 (CHF million, except where indicated)									
9 members	3.93	21.86[5]	21.58	**47.37**	14.08	2.74	0.58	**17.40**	**64.77**
% of total compensation	6%	34%	33%		22%				
of which CEO: Brady W. Dougan	0.69	2.77	3.46	**6.92**	2.50	0.36	0.01	**2.87**	**9.79**
% of total compensation	7%	28%	35%		26%				

1
The LTI awards totaling CHF 21.58 million initally awarded does not reflect the voluntary downward adjustment of CHF 4.3 million to the Executive Board compensation resulting from the final settlement of all US cross-border matters, which is applied against LTI awards granted for 2013. These awards vest over a five year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at vesting 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 a combination of cash and shares, consistent with dividends paid on actual shares.
3
Other benefits consist of housing allowances, expense allowances and child allowances.
4
Does not include CHF 4.8 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 2013 comprise CHF 20.56 million performance shares as well as CHF 1.3 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including the Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 28.78.

Changes to the Executive Board composition in 2014

Joachim Oechslin became a member of the Executive Board effective January 1, 2014. James L. Amine and Timothy P. O'Hara became members of the Executive Board on October 1, 2014 at which time Eric Varvel ceased to be an Executive Board member. For the period of the year during which these four individuals were Executive Board members, compensation was determined and awarded in line with the Executive Board compensation structure described below. The compensation amounts attributable to the period of the year during which they were Executive Board members are included in the Executive Board Compensation for 2014 table above.

2014 compensation structure

The annual 2014 base salary was CHF 2.5 million for the CEO, CHF 1.5 million for Executive Board members based in Switzerland and USD 1.5 million for Executive Board members based in the US and the UK, which remained unchanged from the prior year.

For 2014, the incentive compensation granted to each Executive Board member prior to the LTI awards downward adjustment consisted of:

– 20% as unrestricted cash payment, except for PRA Code Staff, who received 10% in the form of unrestricted cash and 10% in the form of blocked share awards;

– 30% as STI awards in the form of a deferred performance share award with cliff vesting after three years; and

– 50% as LTI awards in the form of both shared-based awards and CCA in equal portions, with vesting on the third, fourth and fifth anniversaries of the grant date, subject to pre-defined performance conditions.

An overview of the vesting timeline for the Executive Board short-term and long-term award plans is shown in the chart “Key features of Executive Board compensation – 2014”. These awards are described in more detail below.

Three of the individuals who served on the Executive Board during part or all of 2014 qualified as PRA Code Staff for 2014. A portion of their compensation was awarded as a fixed allowance, which was taken into consideration when variable compensation was determined.

Types of awards

Unrestricted cash

Unrestricted 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.

Short-term incentive (STI) award

STI awards are granted in the form of performance share awards, and are scheduled to cliff vest on the third anniversary of the grant date, subject to the same performance conditions as the performance share awards granted to managing directors and >>>MRTC. Performance share awards related to performance for years prior to 2014 are deferred ratably over three years with one third of the award vesting on each of the three anniversaries of the grant date.

>Refer to "Performance share awards" in Group compensation for performance-based adjustment criteria.

More specifically, for the heads of the divisions reporting a pre-tax loss, the full balance of their unvested STI awards are reduced by 15% per CHF 1 billion of loss and the calculation of the reduction is performed on a pro-rata basis, based on the actual loss amount. If the Group reports a negative strategic ROE, the full balance of their unvested STI awards are reduced by a percentage amount equal to the negative strategic ROE. In the case of both a negative strategic ROE and a divisional pre-tax loss, the negative adjustment applied will be equal to the larger figure of the negative strategic ROE or 15% per CHF 1 billion of pre-tax loss.

For the CEO and Executive Board members who lead a Shared Services function, the malus provision for negative performance will affect outstanding awards only if the Group has a negative strategic ROE.

> Refer to "Potential downward adjustments of performance shares and STI awards" in Group compensation for specific downward adjustments to be applied.

Long-term incentive (LTI) award

LTI awards are deferred over a period of five years and vest in three equal tranches, one on each of the third, fourth and fifth anniversaries of the grant date, subject to satisfying pre-defined performance vesting conditions. The amount due at vesting is determined based on the following performance criteria and conditions, which are measured on a tranche-by-tranche basis over the three calendar years preceding the year in which vesting occurs:

– Average of the Relative Total Shareholder Return (RTSR) achieved during each of the three years prior to vesting, calculated by reference to the average total shareholder return achieved by a group of peer firms, is the primary performance metric; and

– Average strategic ROE achieved during the three years prior to vesting compared to the strategic ROE targets set for the respective years acts as a further adjustment, increasing or decreasing the amount payable by up to 25%.

– The amount payable at vesting of each tranche is subject to an overall cap of 200% of the initial LTI award value for that tranche.

RTSR is the Group's total shareholder return compared to the average total shareholder return of peers. Total shareholder return is equal to the appreciation or depreciation of a particular share, plus any dividends, over a given three-year period, expressed as a percentage of the share's value at the beginning of the three-year measurement period. The peer group used for the RTSR calculation is the same group of twelve peer firms shown in the "2014 peer groups and performance criteria" table. The RTSR achievement level can increase or decrease the amount scheduled to vest on a sliding scale basis and is subject to a cap as follows:

– Achievement of average RTSR of 150% (where the Group RTSR is 50% greater than that of the peer group) or greater results in a maximum upward adjustment of 100% (cap) for such a tranche;
– Achievement of average RTSR of 100% (where the Group RTSR is the same as that of the peer group) results in an LTI payout that equals the grant value for such tranche (no upward or downward adjustment);
– Achievement of RTSR of 50% (where the Group RTSR falls 50% below that of the peer group) or below results in the total forfeiture of such tranche (downward adjustment of 100%); and
– Achievement of average RTSR between 50% and 150% of that of the peer group results in an upward or downward adjustment between negative 100% and positive 100%, applied on a sliding scale basis.

Following the RTSR calculation above, the amount payable is subject to a further upward or downward adjustment of up to 25%, depending on the average strategic ROE achieved during the three years prior to vesting compared to the pre-defined strategic ROE targets for the corresponding three-year period. The maximum upward adjustment of 25% applies if the average strategic ROE achieved is 200% of the target. The ROE adjustment, however, cannot increase the amount payable beyond the overall cap equal to 200% of the initial award.

For 2014, 50% of the LTI was structured as a share-based award. The initial number of shares is determined at the time of grant and is adjusted based on the RTSR and ROE over the three year period prior to vesting.

For 2014, 50% of the LTI was delivered as CCA. This element of the LTI has the same terms as CCA awarded to managing directors and directors, except for the vesting and performance metrics, which are the same as those applicable to share-based LTI awards described above. LTI awards granted as CCA entitle recipients to semi-annual cash payments of interest-equivalents until settlement, but would be written down to zero if the CCA trigger events described above occur. At the time of settlement, the Group, at its discretion, may deliver a contingent capital instrument or a cash payment based on the fair value of the CCA.

Malus and clawback provisions

All deferred compensation awards of Executive Board members are subject to the same malus provisions as all employees with deferred compensation as well as the additional malus provisions that apply to Covered Employees. Consistent with the newly issued PRA guidelines, all variable compensation granted to PRA Code Staff as of or after January 1, 2015 is also subject to clawback. In addition, there are performance-based malus provisions for the STI award and specific performance targets for the LTI award.

>Refer to "Malus provisions" and "Clawback provisions" in Group compensation for more information.

Other aspects of Executive Board compensation

Charitable contributions

Consistent with the prior three years, the Compensation Committee approved contributions which will benefit eligible registered charities. The total amount approved for charitable contributions was CHF 8.6 million for 2014. The CEO and three other members of the Executive Board during 2014 were able to make recommendations in respect of the allocation of the 2014 contributions to various specific charities.

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 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 to non-Executive Board members, 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 2014.

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, 2014.

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, 2014 was on average 1% lower than at the grant date value of the awards.

As of December 31, 2014, the outstanding cash-based deferred compensation awards granted to certain Executive Board members in prior years were the 2008 Partner Asset Facility, 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 62 million compared to CHF 70 million as of December 31, 2014.

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	Number of unvested SISUs	Value of unvested awards at grant (CHF)	Current value of unvested awards (CHF)
December 31, 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**
December 31, 2013						
Brady W. Dougan	1,221,334	416,540	1,637,874	38,051	12,176,651	12,396,697
Gaël de Boissard	107,329	536,014	643,343	31,283	16,187,272	15,470,189
Romeo Cerutti	136,344	231,491	367,835	11,636	6,128,891	6,630,073
Tobias Guldimann	–	258,127	258,127	14,545	6,907,523	7,435,765
David R. Mathers	17,469	387,642	405,111	7,565	9,422,493	10,777,295
Hans-Ulrich Meister	189,478	417,112	606,590	23,273	11,248,886	12,009,299
Robert S. Shafir	617,053	532,112	1,149,165	31,160	14,344,561	15,360,428
Pamela A. Thomas-Graham	–	216,875	216,875	7,191	5,461,314	6,110,280
Eric M. Varvel	–	286,098	286,098	27,735	9,597,358	8,558,226
Total	**2,289,007**	**3,282,011**	**5,571,018**	**192,439**	**91,474,949**	**94,748,252**

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, 2014, 2013 and 2012, outstanding loans to Executive Board members amounted to CHF 5 million, CHF 10 million and CHF 8 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2014 was four and three, respectively, and the highest loan outstanding was CHF 3 million to Joachim Oechslin.

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 and related party transactions” in Corporate Governance for further information.

2015 targets, caps and performance criteria

The targets, caps and performance criteria to be applied in 2015 are based on the framework and approach used for the 2014 performance year.

Similar to 2014, the performance criteria for 2015 encompass the achievement of profitability and cost targets, as well as progress towards the wind-down of the non-strategic operations in light of the current operating environment. The progress of the wind-down of the non-strategic operations will be measured based on the achievement of reduction targets for risk-weighted assets and leverage exposure and the attainment of pre-tax income targets. The Compensation Committee will also evaluate measures relating to the execution of the Group's strategy, development of the businesses, delivery of major infrastructure projects and other specific performance measures for each individual.

The target levels of compensation and the specific levels for each metric at which target levels of compensation are achieved will be determined based on the 2015 financial plan of the Group approved by the Board. The 2015 financial plan specifies performance targets and metrics for floor, target and cap performance levels. These factors will form the basis for the Compensation Committee's evaluation of 2015 performance against targets and its proposal of 2015 Executive Board variable compensation. The overall cap on total Executive Board incentive compensation for 2015 will be 2.5% of strategic Group net income. The individual variable compensation caps have been either maintained or reduced as multiples of base salaries for 2015, with cash awards ranging from 0.4 to 1.3 times salary, STI awards ranging from 0.6 to 1.9 times base salary and LTI awards ranging from 1.0 to 3.2 times base salary. The variable compensation caps as multiples of base salary for the CEO remain unchanged compared to 2014. For 2013 and 2014, the Compensation Committee had in its recommendations to the Board the explicit discretion to adjust incentive awards resulting from the performance assessment against financial and non-financial targets by a factor of plus or minus 20%. This discretion was not used in the context of the Executive Board compensation for 2014 and the Compensation Committee and the Board decided not to apply this explicit 20% discretion going forward.

Executive Board compensation proposed for approval at the 2015 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 2015 ordinary AGM:

Approval of the Executive Board aggregate variable compensation for the 2014 financial year

The Board proposes that the shareholders approve an aggregate amount of variable compensation to be awarded to members of the Executive Board for the financial year 2014 of CHF 39.1 million. The total amount is comprised of unrestricted cash and deferred STI and LTI awards and reflects the performance achieved for 2014, as specified in the sections "Performance evaluation for 2014", "2014 Performance against target", "Executive Board compensation for 2014", and "2014 performance against targets for CEO". 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 2015 AGM to the 2016 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 2015 AGM to the 2016 AGM of no more than CHF 32 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.

2015 compensation structure

The proposed annual base salary included in the AGM vote on fixed compensation for the Executive Board will be CHF 3.0 million for the CEO, CHF 2.0 million for the Executive Board members based in Switzerland and USD 2.0 million for Executive Board members based in the US and the UK. As of December 31, 2014, two of the Executive Board members qualified as "PRA Code Staff" for 2015 and will therefore receive a portion of the compensation as a fixed allowance of CHF 5.8 million in total.

For the 2015 compensation structure, a slight amendment will be made in comparison to the structure applicable for 2014 compensation. The STI awards will be delivered in the form of CCA instead of performance share awards, and the LTI awards will be delivered in shares only, rather than a combination of shares and CCA. Accordingly, the variable compensation for each Executive Board member for 2015 will consist of:

– 20% as unrestricted cash payment, except for "PRA Code Staff", who will receive 10% in the form of unrestricted cash and 10% in the form of blocked share awards;
– 30% as STI awards in the form of CCA with cliff vesting on the third anniversary of the grant date; and
– 50% as LTI awards in the form of share awards with vesting on the third, fourth and fifth anniversaries of the grant date, subject to pre-defined performance vesting conditions.

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 12-month period from the current AGM to the following year's AGM. For the first time at the AGM 2015, 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 2014

At the 2014 AGM, Peter Brabeck-Letmathe and Walter B. Kielholz stepped down from the Board and Severin Schwan and Sebastian Thrun were elected as new members of the Board.

Basis of determining compensation for the Board

Board members are compensated on the basis of fees, which reflect the respective Board member's role, time commitment and scope of responsibility on the Board. The fee amounts are set at levels to attract and retain highly qualified and experienced individuals and take into consideration levels at comparable leading Swiss companies. During 2014, the Board adopted a revised fee structure for members of the Board. Key changes include the harmonization of the base board fees, a more granular fee structure for committee participation and fixed chair fees for the Chairman and the three committee chairmen, which reflects the greater responsibility and considerable time dedicated to fulfilling these leadership roles. Except for the full-time Chairman, all members of the Board receive an annual base board fee of CHF 250,000. Board members also receive annual committee fees for each committee membership as shown in the table below.

Fees paid to Board members are in the form of cash and Group shares, which are blocked for a period of four years. This ensures that the interests of Board members are closely aligned to the interests of shareholders.

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 is paid an annual base board fee in cash (12 monthly payments) plus a chair fee in Group shares. For 2014, the base board fee of the Chairman was CHF 2.5 million and the chair fee was CHF 1.0 million. 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 and with 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 industry associations on behalf of the Group. He is a member of the board of directors of the Institute of International Finance and chairs the Institute's Special Committee on Effective Regulation. Until the end of 2014, the Chairman was also a member of the group of experts on the further development of the financial market strategy appointed by the Swiss Federal Council.

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 2014, the chair fee was CHF 200,000 for the chairman of the Compensation Committee and CHF 800,000 each for the chairmen of the Risk and Audit Committees. 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 Shared Services 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 2014) 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 chairman of the Risk Committee is in regular contact with the Group chief risk officer and the senior management in the risk management function. Moreover, the Risk Committee chair fee also considers the additional role Mr. Thornburgh assumes as board member and Risk Committee chairman of the Group's UK subsidiaries Credit Suisse International and Credit Suisse Securities (Europe) Limited. Whereas other non-executive directors of these UK entities receive directors fees for their board and committee roles, Mr. Thornburgh does not receive separate fees for this additional role.

> Refer to "Members of the Board and Board committees" in Corporate Governance – Board of Directors for further information.

2014 adjusted compensation for the Board

In proposing the 2014 compensation for the Board, the Compensation Committee considered the final settlement regarding all outstanding US cross-border matters. The Compensation Committee agreed that this event should have consequences for the compensation of the Board, in order to reflect the responsibility it bears in safeguarding the long term reputation and professional integrity of the Group's businesses globally, regardless of which individuals serve as directors at any given time. The Compensation Committee therefore recommended reductions to the compensation awarded to the Board. The Board approved a 50% reduction in their share-based compensation for 2014, which is approximately 25% of total Board compensation. For the Chairman, the 50% reduction was applied against the chair fee, which was reduced to CHF 1 million.

>Refer to "Compensation decisions" in Executive Board compensation for more information.

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 2014.

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 sh
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 applica 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 chai 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 p their respective chair fees in cash (67%) and Group shares (33%). The applicable Group share price for the chair fees was CHF 20.21.
224

Board compensation for 2013

in	Base board fee	Committee fee	Additional fees[1]	Other compen- sation categories[2]	Total compen- sation	Awarded in cash	% of total compen- sation	Awarded in Group shares	% of total compen- sation
2013 (CHF)									
Urs Rohner, Chairman [4]	2,500,000	–	2,250,000	153,260	4,903,260	3,778,260	77%	1,125,000	23%
Peter Brabeck-Letmathe, Vice-Chairman [5]	400,000	–	–	–	400,000	200,000	50%	200,000	50%
Jassim Bin Hamad J.J. Al Thani [5]	250,000	–	–	–	250,000	125,000	50%	125,000	50%
Iris Bohnet [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Noreen Doyle [5]	250,000	100,000	294,000	–	644,000	469,000	73%	175,000	27%
Jean-Daniel Gerber [5]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Walter B. Kielholz [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Andreas N. Koopmann [5]	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Jean Lanier, Chairman of the Compensation Committee [4]	400,000	–	400,000	–	800,000	600,000	75%	200,000	25%
Kai S. Nargolwala [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Anton van Rossum [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Richard E. Thornburgh, Chairman of the Risk Committee [4]	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%
John Tiner, Chairman of the Audit Committee [4]	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%
Total	**6,100,000**	**850,000**	**4,944,000**	**153,260**	**12,047,260**	**8,097,260**	**67%**	**3,950,000**	**33%**

1
Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees of CHF (GBP 200,000) paid to Noreen Doyle in 2013 as a non-executive director and chair of the boards of two of the Group's UK sub Credit Suisse International and Credit Suisse Securities (Europe) Limited. The additional fees of CHF 400,000 were awarded to Lanier as Chairman of the Compensation Committee in 2013, a role to which he was appointed as of the 2013 AGM on April 2
2
Other compensation for the Chairman included pension benefits, lump sum expenses and child and health care allowances.
3
The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period.
4
The Chairman and the three committee chairmen received an annual base board fee paid in cash. They also received additional in cash and/or shares as determined by the Board in the course of the regular compensation process. The additional fees paid to committee chairmen covered their regular memberships in other committees that they do not chair. The additional fees awarded four individuals for 2013 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 28.78.

5
Except for the Chairman and the three committee chairmen, members of the Board were paid an annual base board fee and a co
fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 26, 2013 t
2014. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for each of the Risk and Compe
Committees. For 2013, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share
of the 2013 AGM was CHF 26.83.

Board compensation proposed for approval at the 2015 AGM

Pursuant to the Compensation Ordinance and the Group's Articles of Association, 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 2015 ordinary AGM:

Approval of the compensation of the Board for the period from 2015 AGM to 2016 AGM

The Board proposes to approve an aggregate amount of compensation to be paid to members of the Board for the 12 month period from the 2015 AGM to the 2016 AGM of no more than CHF 12 million. The total amount is comprised of base board fees, committee fees, chair 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.

225

Board shareholdings and loans

Board shareholdings

The table below discloses the shareholdings of the Board members, their immediate family and companies in which they have a controlling interest. As of December 31, 2014, there were no Board members with outstanding options.

Board shareholdings by individual

in December 31 (shares) [1]	2014	2013
Urs Rohner	229,492	230,402
Jassim Bin Hamad J.J. Al Thani	19,763	17,918
Iris Bohnet	18,243	15,464
Noreen Doyle	52,984	49,014
Jean-Daniel Gerber	21,550	17,701
Andreas N. Koopmann	46,859	42,569
Jean Lanier	56,665	44,951
Kai S. Nargolwala	176,974	114,666
Anton van Rossum	59,081	56,464
Severin Schwan	25,155	–
Richard E. Thornburgh	184,668	212,530
Sebastian Thrun	2,779	–
John Tiner	70,482	48,471
Total	**964,695**	**850,150** [2]

1
Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.

2
Excludes 144,186 shares and 316,675 shares held by Peter Brabeck-Letmathe and Walter B. Kielholz, respectively, who stepped down from the Board as of May 9, 2014.

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, 2014, 2013 and 2012, outstanding loans to Board members amounted to CHF 16 million, CHF 55 million and CHF 41 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. Board members who were previously employees of the Group may still have outstanding loans, which were provided at the time that employee conditions applied to them. 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, 2014, 2013 and 2012, 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 and related party transactions” in Corporate Governance for further information.

Board loans by individual (audited for 2014)

in December 31 (CHF)	2014	2013
Urs Rohner	5,097,475	4,968,270
Andreas N. Koopmann	4,885,919	4,933,650

Richard E. Thornburgh	6,223,479	222,756
Total [1]	**16,206,873**	**10,124,676** [2]

1
Includes loans to immediate family members.
2
Excludes loans of CHF 40,631,650 and CHF 4,000,000 held by Peter Brabeck-Letmathe and Walter B. Kielholz, respectively, who stepped down from the Board as of May 9, 2014.
226

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 Investment Banking;
– 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: 2012/January 2013;
– Vesting end: 2012/January 2016;
– Applied to: performance in 2012 for managing directors and directors in Investment Banking. 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 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 Investment Banking;
– 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 CCAs, 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 Partner Asset Facility (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 February 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 for further information.

Adjustable Performance Plan awards
– Basis: cash and share-based;
– Vesting start: January 2011;
– Vesting end: January 2014;
– Applied to: performance in 2010, which included the Executive Board, managing directors and directors;
– General award conditions: Adjustable Performance Plan awards link awards to future performance through positive and negative adjustments. Vesting ratably over a four-year period;
– Other award conditions or restrictions: for revenue-generating employees in the divisions, Adjustable Performance Plan awards are linked to the financial performance of the specific business areas in which the employees work and the Group reported ROE. For employees in Shared Services and other support functions and all Executive Board members, the awards are linked to the Group’s adjusted profit or loss and the Group reported ROE;
– Program objective/rationale: promoting retention of Executive Board members, managing directors and directors.

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 Investment Banking;
– General award conditions: the contractual term of a PAF award is eight years. PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in Investment Banking. 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 Investment Banking to effectively manage assets which were a direct result of risk taking in Investment Banking 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 28 – Employee deferred compensation” in V – Consolidated financial statements – Credit Suisse Group for more information.

Consolidated financial statements – Credit Suisse Group
Report of the Independent Registered Public Accounting Firm
Consolidated financial statements
Notes to the consolidated financial statements
Controls and procedures
Report of the Independent Registered Public Accounting Firm

Consolidated statements of operations
Consolidated statements of comprehensive income
Consolidated balance sheets
Consolidated balance sheets (continued)
Consolidated statements of changes in equity
Consolidated statements of changes in equity (continued)
Consolidated statements of cash flows
Consolidated statements of cash flows (continued)
Supplemental cash flow information
1 Summary of significant accounting policies
2 Recently issued accounting standards
3 Business developments, significant shareholders and subsequent events
4 Discontinued operations
5 Segment information
6 Net interest income
7 Commissions and fees
8 Trading revenues
9 Other revenues
10 Provision for credit losses
11 Compensation and benefits
12 General and administrative expenses
13 Earnings per share
14 Securities borrowed, lent and subject to repurchase agreements
15 Trading assets and liabilities
16 Investment securities
17 Other investments
18 Loans, allowance for loan losses and credit quality
19 Premises and equipment
20 Goodwill
21 Other intangible assets
22 Other assets and other liabilities
23 Deposits
24 Long-term debt
25 Accumulated other comprehensive income and additional share information
26 Offsetting of financial assets and financial liabilities
27 Tax
28 Employee deferred compensation
29 Related parties
30 Pension and other post-retirement benefits
31 Derivatives and hedging activities
32 Guarantees and commitments
33 Transfers of financial assets and variable interest entities
34 Financial instruments
35 Assets pledged and collateral
36 Capital adequacy
37 Assets under management
38 Litigation
39 Significant subsidiaries and equity method investments
40 Subsidiary guarantee information
41 Credit Suisse Group parent company

42 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)
43 Risk assessment

230

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, 2014 and 2013 and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2014. 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) and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, 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, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 20, 2015 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 20, 2015

231

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Consolidated financial statements

Consolidated statements of operations

	Reference to notes	2014	2013	in 2012
Consolidated statements of operations (CHF million)				
Interest and dividend income	6	19,061	19,556	22,090
Interest expense	6	(10,027)	(11,441)	(14,947)
Net interest income	6	9,034	8,115	7,143
Commissions and fees	7	13,051	13,226	12,724
Trading revenues	8	2,026	2,739	1,196
Other revenues	9	2,131	1,776	2,548
Net revenues		**26,242**	**25,856**	**23,611**
Provision for credit losses	10	**186**	**167**	**170**
Compensation and benefits	11	11,334	11,256	12,303
General and administrative expenses	12	9,534	8,599	7,246
Commission expenses		1,561	1,738	1,702
Total other operating expenses		11,095	10,337	8,948
Total operating expenses		**22,429**	**21,593**	**21,251**
Income from continuing operations before taxes		**3,627**	**4,096**	**2,190**
Income tax expense	27	1,405	1,276	465
Income from continuing operations		**2,222**	**2,820**	**1,725**
Income/(loss) from discontinued operations, net of tax	4	102	145	(40)
Net income		**2,324**	**2,965**	**1,685**
Net income attributable to noncontrolling interests		449	639	336
Net income/(loss) attributable to shareholders		**1,875**	**2,326**	**1,349**
of which from continuing operations		1,773	2,181	1,389
of which from discontinued operations		102	145	(40)
Basic earnings per share (CHF)				
Basic earnings per share from continuing operations	13	1.02	1.14	0.82
Basic earnings/(loss) per share from discontinued operations	13	0.06	0.08	(0.03)
Basic earnings per share	13	**1.08**	**1.22**	**0.79**
Diluted earnings per share (CHF)				
Diluted earnings per share from continuing operations	13	1.01	1.14	0.82
Diluted earnings/(loss) per share from discontinued operations	13	0.06	0.08	(0.03)
Diluted earnings per share	13	**1.07**	**1.22**	**0.79**

Consolidated statements of comprehensive income

in	2014	2013	2012
Comprehensive income (CHF million)			
Net income	2,324	2,965	1,685
Gains/(losses) on cash flow hedges	(20)	18	37
Foreign currency translation	2,287	(1,021)	(1,114)
Unrealized gains/(losses) on securities	12	(32)	(15)

Actuarial gains/(losses)	(1,253)	1,044	(50)
Net prior service credit/(cost)	(63)	(95)	248
Other comprehensive income/(loss), net of tax	963	(86)	(894)
Comprehensive income	**3,287**	**2,879**	**791**
Comprehensive income attributable to noncontrolling interests	540	525	211
Comprehensive income attributable to shareholders	**2,747**	**2,354**	**580**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheets

	Reference to notes	2014	end of 2013
Assets (CHF million)			
Cash and due from banks		79,349	68,692
of which reported at fair value		304	527
of which reported from consolidated VIEs		1,493	952
Interest-bearing deposits with banks		1,244	1,515
of which reported at fair value		0	311
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	14	163,208	160,022
of which reported at fair value		104,283	96,587
of which reported from consolidated VIEs		660	1,959
Securities received as collateral, at fair value		26,854	22,800
of which encumbered		25,220	17,964
Trading assets, at fair value	15	241,131	229,413
of which encumbered		77,583	72,976
of which reported from consolidated VIEs		4,261	3,610
Investment securities	16	2,791	2,987
of which reported at fair value		2,791	2,987
of which reported from consolidated VIEs		0	100
Other investments	17	8,613	10,329
of which reported at fair value		5,654	7,596
of which reported from consolidated VIEs		2,105	1,983
Net loans	18	272,551	247,054
of which reported at fair value		22,913	19,457
of which encumbered		192	638
of which reported from consolidated VIEs		245	4,207
allowance for loan losses		(758)	(869)
Premises and equipment	19	4,641	5,091
of which reported from consolidated VIEs		452	513
Goodwill	20	8,644	7,999
Other intangible assets	21	249	210
of which reported at fair value		70	42
Brokerage receivables		41,629	52,045
Other assets	22	70,558	63,065
of which reported at fair value		32,320	31,518
of which encumbered		250	722
of which reported from consolidated VIEs		16,134	14,330
Assets of discontinued operations held-for-sale		0	1,584
Total assets		**921,462**	**872,806**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheets (continued)

	Reference to notes	2014	end of 2013
Liabilities and equity (CHF million)			
Due to banks	23	26,009	23,108
of which reported at fair value		823	1,450
Customer deposits	23	369,058	333,089
of which reported at fair value		3,261	3,252
of which reported from consolidated VIEs		3	265
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	14	70,119	94,032
of which reported at fair value		54,732	76,104
Obligation to return securities received as collateral, at fair value		26,854	22,800
Trading liabilities, at fair value	15	72,655	76,635
of which reported from consolidated VIEs		35	93
Short-term borrowings		25,921	20,193
of which reported at fair value		3,861	6,053
of which reported from consolidated VIEs		9,384	4,286
Long-term debt	24	177,898	130,042
of which reported at fair value		81,166	63,369
of which reported from consolidated VIEs		13,452	12,992
Brokerage payables		56,977	73,154
Other liabilities	22	50,970	51,447
of which reported at fair value		16,938	21,973
of which reported from consolidated VIEs		1,728	710
Liabilities of discontinued operations held-for-sale		0	1,140
Total liabilities		**876,461**	**825,640**
Common shares		64	64
Additional paid-in capital		27,007	27,853
Retained earnings		32,083	30,261
Treasury shares, at cost		(192)	(139)
Accumulated other comprehensive income/(loss)	25	(15,003)	(15,875)
Total shareholders' equity		**43,959**	**42,164**
Noncontrolling interests		1,042	5,002
Total equity		**45,001**	**47,166**
Total liabilities and equity		**921,462**	**872,806**

	Reference to notes	2014	end of 2013
Additional share information			
Par value (CHF)		0.04	0.04
Authorized shares [1]		2,299,616,660	2,269,616,660
Common shares issued	25	1,607,168,947	1,596,119,349
Treasury shares	25	(7,666,658)	(5,183,154)
Shares outstanding	25	1,599,502,289	1,590,936,195

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	Total share- holders' equity	Non- controlling interests	Total equity
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 ownership [1,2]	–	238	–	–	–	238	(2,143)	(1,905)
Sale of subsidiary shares to noncontrolling interests, not changing ownership [2]	–	–	–	–	–	–	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) [3]	–	735	–	630	–	630
Financial instruments indexed to own shares [4]	–	(80)	–	–	–	(80)	–	(80)
Dividends paid	–	(1,177) [5]	(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**
2013 (CHF million)								
Balance at beginning of period	**53**	**23,636**	**28,171**	**(459)**	**(15,903)**	**35,498**	**6,786**	**42,284**
	–	–	–	–	–	–	(22)	(22)

Purchase of subsidiary shares from non- controlling interests, changing ownership								
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, net	–	–	–	–	–	–	(211)	(211)
Other	–	(9)	–	–	–	(9)	–	(9)
Balance at end of period	**64**	**27,853**	**30,261**	**(139)**	**(15,875)**	**42,164**	**5,002**	**47,166**

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 (70) million from the excess recognized compensation expense over fair value of shares delivered.
4
The Group had purchased certain call options 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 reserves from capital contributions.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of changes in equity (continued)

	Attributable to shareholders							
2012 (CHF million)	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income	Total shareholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	**49**	**21,796**	**27,053**	**(90)**	**(15,134)**	**33,674**	**7,411**	**41,085**
Purchase of subsidiary shares from non- controlling interests, changing ownership	–	44	–	–	–	44	(4)	40
Purchase of subsidiary shares from non- controlling interests, not changing ownership	–	–	–	–	–	–	(809)	(809)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	116	116
Net income/(loss)	–	–	1,349	–	–	1,349	347	1,696
Total other comprehensive income/(loss), net of tax	–	–	–	–	(769)	(769)	(125)	(894)
Issuance of common shares	4	1,926	–	–	–	1,930	–	1,930
Sale of treasury shares	–	(3)	–	8,358	–	8,355	–	8,355
Repurchase of treasury shares	–	–	–	(8,859)	–	(8,859)	–	(8,859)
Share-based compensation, net of tax	–	932	–	132	–	1,064	–	1,064
Financial instruments indexed to own shares	–	(9)	–	–	–	(9)	–	(9)
Dividends paid	–	(1,011)	(231)	–	–	(1,242)	(54)	(1,296)
Changes in redeemable noncontrolling interests	–	(7)	–	–	–	(7)	–	(7)
Changes in scope of consolidation	–	–	–	–	–	–	(96)	(96)
Other	–	(32)	–	–	–	(32)	–	(32)
Balance at end of period	**53**	**23,636**	**28,171**	**(459)**	**(15,903)**	**35,498**	**6,786**	**42,284**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of cash flows

in	2014	2013	2012
Operating activities of continuing operations (CHF million)			
Net income	**2,324**	**2,965**	**1,685**
(Income)/loss from discontinued operations, net of tax	(102)	(145)	40
Income from continuing operations	**2,222**	**2,820**	**1,725**
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)			
Impairment, depreciation and amortization	1,285	1,345	1,294
Provision for credit losses	186	167	170
Deferred tax provision/(benefit)	684	695	(255)
Share of net income/(loss) from equity method investments	134	34	80
Trading assets and liabilities, net	(5,513)	13,961	(14,348)
(Increase)/decrease in other assets	6,062	(6,902)	(1,146)
Increase/(decrease) in other liabilities	(23,876)	9,992	(4,772)
Other, net	1,196	(38)	4,584
Total adjustments	(19,842)	19,254	(14,393)
Net cash provided by/(used in) operating activities of continuing operations	**(17,620)**	**22,074**	**(12,668)**
Investing activities of continuing operations (CHF million)			
(Increase)/decrease in interest-bearing deposits with banks	275	538	184
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	11,685	17,120	46,952
Purchase of investment securities	(1,060)	(677)	(480)
Proceeds from sale of investment securities	930	176	936
Maturities of investment securities	340	832	1,626
Investments in subsidiaries and other investments	(1,264)	(1,792)	(2,039)
Proceeds from sale of other investments	1,553	3,737	3,104
(Increase)/decrease in loans	(23,604)	(9,126)	(11,022)
Proceeds from sales of loans	1,255	1,483	1,090
Capital expenditures for premises and equipment and other intangible assets	(1,056)	(903)	(1,242)
Proceeds from sale of premises and equipment and other intangible assets	1	9	26
Other, net	606	122	3,683
Net cash provided by/(used in) investing activities of continuing operations	**(10,339)**	**11,519**	**42,818**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of cash flows (continued)

in	2014	2013	2012
Financing activities of continuing operations (CHF million)			
Increase/(decrease) in due to banks and customer deposits	26,040	22,463	(12,567)
Increase/(decrease) in short-term borrowings	3,509	6,002	(7,840)
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(31,001)	(36,347)	(39,958)
Issuances of long-term debt	74,159	39,090	38,405
Repayments of long-term debt	(36,471)	(55,135)	(55,936)
Issuances of common shares	297	976	1,930
Sale of treasury shares	9,394	9,764	8,355
Repurchase of treasury shares	(10,197)	(10,202)	(8,859)
Dividends paid	(1,252)	(564)	(1,296)
Other, net	(1,192)	(468)	394
Net cash provided by/(used in) financing activities of continuing operations	**33,286**	**(24,421)**	**(77,372)**
Effect of exchange rate changes on cash and due from banks (CHF million)			
Effect of exchange rate changes on cash and due from banks	**5,790**	**(1,216)**	**(1,242)**
Net cash provided by/(used in) discontinued operations (CHF million)			
Net cash provided by/(used in) discontinued operations	**(460)**	**(1,027)**	**(346)**
Net increase/(decrease) in cash and due from banks (CHF million)			
Net increase/(decrease) in cash and due from banks	**10,657**	**6,929**	**(48,810)**
Cash and due from banks at beginning of period	68,692	61,763	110,573
Cash and due from banks at end of period	**79,349**	**68,692**	**61,763**

Supplemental cash flow information

in	2014	2013	2012
Cash paid for income taxes and interest (CHF million)			
Cash paid for income taxes	1,502	833	1,073
Cash paid for interest	9,527	11,876	15,004
Assets acquired and liabilities assumed in business acquisitions (CHF million)			
Fair value of assets acquired	143	4	2,418
Fair value of liabilities assumed	29	0	2,418
Assets and liabilities sold in business divestitures (CHF million)			
Assets sold	687	374	0
Liabilities sold	1,084	170	0

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. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation which had no impact on net income/(loss) or total shareholders' equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the >>>fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities, as well as 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-dealers' 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 34 – 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)

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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. In the case where 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 33 – 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 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, as well as any impairment on the investee, if applicable, are 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 18 – 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 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

243

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 loans 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 18 – 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

244

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 three 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

245

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. Among others, assumptions have to be made with regard to discount

rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the 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 830 – Foreign Currency Matters

In March 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" (ASU 2013-05), an update to ASC Topic 830 – Foreign Currency Matters. The amendments in ASU 2013-05 provide guidance for the treatment of the cumulative translation adjustment when an entity ceases to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity. The Group elected to early adopt ASU 2013-05 on January 1, 2013 which did not have a material impact on the Group's financial position, results of operations or cash flows.

ASC Topic 946 – Financial Services – Investment Companies

In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements" (ASU 2013-08), an update to Topic 946 – Financial Services – Investment Companies. The amendments change the approach to the investment company assessment in Topic 946, clarify the characteristics of an investment company and provide comprehensive guidance for assessing whether an entity is an investment company. The adoption of ASU 2013-08 on January 1, 2014 did not have a material impact on the Group's financial position, results of operations or 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, there will be no impact of the adoption of ASU 2014-15 on the Group's financial position, results of operations and cash flows.

ASC Topic 205 – Presentation of Financial Statements

ASC Topic 360 – Property, Plant, and Equipment

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" (ASU 2014-08), an update to ASC Topic 205 – Presentation of Financial Statements and ASC Topic 360 – Property, Plant, and Equipment. The amendments in ASU 2014-08 change the requirements for reporting discontinued operations and require additional disclosures about discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods beginning after December 15, 2014 with early adoption permitted. The Group will evaluate the impact of the adoption of ASU 2014-08 on the Group's financial position, results of operations and cash flows when any future discontinued operations or disposals are identified.

ASC Topic 225 – Income Statement

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" (ASU 2015-01), an update to ASC Topic

225 – Income Statement. The amendments eliminate from US GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement – Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. ASU 2015-01 is effective for annual periods beginning after December 15, 2015. An entity has the option to adopt the changes earlier provided that the guidance is applied from the beginning of the fiscal year of adoption. The Group is currently evaluating the impact of the adoption of ASU 2015-15 on the Group's financial position, results of operations and cash flows.

ASC Topic 310 – Receivables

In January 2014, the FASB issued 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 (1) the amount of foreclosed residential real estate property held by the creditor and (2) 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.

In August 2014, the FASB issued ASU 2014-14, "Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure" (ASU 2014-14), an update to ASC Topic 310 – Receivables. ASU 2014-14 requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met and provides guidance for the measurement of the separate other receivable. The adoption of ASU 2014-14 on January 1, 2015 did not have a material 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. ASU 2014-09 is effective for annual periods beginning after December 15, 2016. 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. ASU 2014-12 is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. The Group is currently evaluating the impact of the adoption of ASU 2014-12 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 variable interest entities (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. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015 with early adoption permitted. The Group is currently evaluating the impact of the adoption of ASU 2015-02 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

variable interest entities 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. ASU 2014-13 is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted as of the beginning of an annual period. The Group is currently evaluating the impact of the adoption of ASU 2014-13 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. ASU 2014-16 is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted as of the beginning of an annual or interim period. The Group is currently evaluating the impact of the adoption of ASU 2014-16 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 will be 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 new 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 or cash flows.

3 Business developments, significant shareholders and subsequent events

The Group's significant business developments for 2014 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 July 2014, the Group entered into an agreement to sell Private Banking & Wealth Management's local affluent and upper affluent business in Italy to Banca Generali S.p.A. The transaction included approximately 50 agents of Credit Suisse (Italy) S.p.A., with over EUR 1.9 billion of assets under management. The transaction closed in the fourth quarter of 2014.

In July 2014, the Group announced that it had decided to exit its small commodities trading business with respect to the global macro products business. The Group plans to re-focus its foreign exchange business towards a combination of electronic trading and voice offering for larger and more complex trades and plans to simplify its rates product offering to focus primarily on satisfying client liquidity needs in cash products and derivatives.

In August 2014, the Group announced the sale of Prime Fund Services (PFS), including the existing PFS team, to BNP Paribas. The transaction is expected to close in 2015, subject to customary closing conditions, including antitrust and regulatory clearances. Revenues, expenses and the expected pre-tax gain on the disposal from this sale are immaterial.

Mergers and acquisitions

In the second quarter of 2014, the Group completed the acquisition of Morgan Stanley's private wealth management businesses in the Europe, Middle East and Africa (EMEA) region, excluding Switzerland. The business is based in the UK, Italy and Dubai, serving predominantly international >>>ultra-high-net-worth individuals (UHNWI) and >>>high-net-worth individual (HNWI) clients across Europe. The transaction was structured as an asset deal with multiple closings, the first of which occurred in December 2013.

In April 2014, the Group entered into an agreement with the then head of Credit Suisse Hedging-Griffo Asset Management pursuant to which he became the controlling shareholder of a new firm, Verde Asset Management, and the Group became a minority shareholder. The transaction closed in the fourth quarter of 2014.

Significant shareholders

In a disclosure notification that the Group published on April 6, 2013, the Group was notified that as of February 25, 2013, The Olayan Group, through its registered entity Crescent Holding GmbH, held 88.5 million shares, or 6.7%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from The Olayan Group relating to holdings of registered Group shares in 2014.

In a disclosure notification that the Group published on October 31, 2013, the Group was notified that as of October 23, 2013, Qatar Investment Authority, through its registered entity Qatar Holding LLC, held 82.0 million shares, or 5.2%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Qatar Investment Authority relating to holdings of registered Group shares in 2014.

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 5.2%, 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.

In a disclosure notification that the Group published on June 19, 2014, the Group was notified that as of June 16, 2014, Norges Bank held 80.0 million shares, or 5.0%, of the registered Group shares issued as of the date of the notified transaction.

No further disclosure notification was received from Norges Bank relating to holdings of registered Group shares in 2014.

Subsequent events

On January 15, 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. It also decreased the target range for the three-month Swiss franc LIBOR. These decisions led to a significant strengthening of the Swiss franc against all major currencies and a decrease in Swiss franc interest rates.

4 Discontinued operations

In January 2014, the Group completed the sale of its Customized Fund Investment Group (CFIG), its private equity fund of funds and co-investment business, to Grosvenor Capital Management and recognized a pre-tax gain on disposal of CHF 91 million in the first quarter 2014, net of allocated goodwill of CHF 23 million. As of December 31, 2013, CFIG had total assets of CHF 31 million that were held-for-sale. The Group continued to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Group.

In March 2014, the Group completed the spin-off of DLJ Merchant Banking Partners, the Group's mid-market leveraged buyout business, for no consideration to aPriori Capital Partners L.P., an independent advisory firm established and controlled by members of the business' management. The transaction was completed with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations in 2014 and prior periods have not been restated. The Group retained certain carried interest rights. aPriori Capital Partners L.P. is a company unrelated to the Group.

In August 2014, the Group completed the sale of its domestic private banking business booked in Germany (German private banking business) to Bethmann Bank AG, a subsidiary of ABN AMRO, and recognized a pre-tax gain on disposal of CHF 109 million in the third quarter 2014. As of June 30, 2014, the German private banking business had total assets and total liabilities of CHF 979 million and CHF 742 million, respectively, that were held-for-sale. Bethmann Bank AG and ABN AMRO are companies unrelated to the Group.

Assets held-for-sale

end of	2013
German private banking business (CHF million)	
Cash	960
Loans	575
Other assets	18
Total assets held-for-sale	**1,553**
CFIG (CHF million)	
Fees receivable	8
Goodwill	23
Total assets held-for-sale	**31**
Group (CHF million)	
Total assets held-for-sale	**1,584**

Liabilities held-for-sale

end of	2013
German private banking business (CHF million)	
Deposits	1,118
Other liabilities	22
Total liabilities held-for-sale	**1,140**
Group (CHF million)	
Total liabilities held-for-sale	**1,140**

For operations discontinued in 2014 and 2013, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. 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	2012
Operations-related (CHF million)			
Net revenues	**31**	**233**	**288**
of which German private banking business	27	52	54
of which ETF business	–	29	53
of which Strategic Partners	–	33	60
of which CFIG	0	114	116
Operating expenses	35	158	296
of which German private banking business	33	71	108
of which ETF business	–	23	49
of which Strategic Partners	–	8	38
of which CFIG	0	51	88
Income tax expense/(benefit)	1	38	32
of which German private banking business	0	(6)	2
of which ETF business	–	5	2
of which Strategic Partners	–	10	15
of which CFIG	0	29	16
Income/(loss), net of tax	**(5)**	**37**	**(40)**
of which German private banking business	(6)	(13)	(56)
of which ETF business	–	1	2
of which Strategic Partners	–	15	7
of which CFIG	0	34	12
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	0	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**	**(40)**
of which German private banking business	55	(13)	(56)
of which ETF business	–	115	2
of which Strategic Partners	–	44	7
of which CFIG	49	2	12

5 Segment information

The Group is a global financial services company domiciled in Switzerland. The Group's business consists of two segments: Private Banking & Wealth Management and Investment Banking. The two segments are complemented by Shared Services, which provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT.

The segment information reflects the Group's reportable segments as follows:

– Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Wealth Management Clients serves >>>UHNWI and >>>HNWI around the globe in addition to >>>affluent and retail clients in Switzerland. Corporate & Institutional Clients serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across asset classes and for all investment styles, serving governments, institutions, corporations and individuals worldwide.

– Investment Banking offers investment banking and securities products and services to corporate, institutional and government clients around the world. Its products and services include debt and equity underwriting, sales and trading, M&A advice, divestitures, corporate sales, restructuring and investment research.

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, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. For the operations discontinued, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

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 are reported as noncontrolling interests without SEI. 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. In addition, the Group's tax expense is not affected by these revenues and expenses.

Beginning in the second quarter of 2014, the majority of the balance sheet usage related to a portfolio of high-quality liquid assets managed by the Treasury function and previously recorded in the Corporate Center has been allocated to the business divisions to allow for more efficient management of their business activities from an overall Group perspective with respect to >>>liquidity coverage ratio and Swiss leverage requirements arising from the portfolio of assets. Prior periods have been restated for the related impact on total assets.

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 and compliance, risk management and IT are provided by the Shared Services area. Shared Services 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 to its businesses funding costs 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.

Taxes

The Group's segments are managed and reported on a pre-tax basis.

Net revenues and income/(loss) from continuing operations before taxes

in	2014	2013	2012
Net revenues (CHF million)			
Private Banking & Wealth Management	12,637	13,442	13,474
Investment Banking	12,515	12,565	12,558
Corporate Center	663	(790)	(2,781)
Noncontrolling interests without SEI	427	639	360
Net revenues	**26,242**	**25,856**	**23,611**
Income/(loss) from continuing operations before taxes (CHF million)			
Private Banking & Wealth Management	2,088	3,240	3,775
Investment Banking	1,830	1,719	2,002
Corporate Center	(686)	(1,455)	(3,889)
Noncontrolling interests without SEI	395	592	302
Income from continuing operations before taxes	**3,627**	**4,096**	**2,190**

Total assets

end of	2014	2013
Total assets (CHF million)		
Private Banking & Wealth Management	345,949	316,491
Investment Banking	529,044	519,712
Corporate Center	45,248	32,979
Noncontrolling interests without SEI	1,221	3,624
Total assets	**921,462**	**872,806**

Beginning in the first quarter of 2013, segment assets exclude intra-group balances between the segments.

Net revenues and income/(loss) from continuing operations before taxes by geographic location

in	2014	2013	2012
Net revenues (CHF million)			
Switzerland	8,247	8,035	8,769
EMEA	4,358	4,744	3,243
Americas	11,097	10,810	9,763
Asia Pacific	2,540	2,267	1,836
Net revenues	**26,242**	**25,856**	**23,611**
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	401	642	1,680
EMEA	(562)	157	(1,581)
Americas	3,739	3,365	2,915
Asia Pacific	49	(68)	(824)
Income from continuing operations before taxes	**3,627**	**4,096**	**2,190**

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	2014	2013
Total assets (CHF million)		
Switzerland	211,558	200,044
EMEA	188,420	194,675
Americas	428,253	398,198
Asia Pacific	93,231	79,889
Total assets	**921,462**	**872,806**

The designation of total assets by region is based upon customer domicile.

6 Net interest income

in	2014	2013	2012
Net interest income (CHF million)			
Loans	5,077	4,843	4,861
Investment securities	39	45	64
Trading assets	9,503	10,057	11,945
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,317	2,517	2,940
Other	2,125	2,094	2,280
Interest and dividend income	19,061	19,556	22,090
Deposits	(1,045)	(978)	(1,345)
Short-term borrowings	(119)	(132)	(184)
Trading liabilities	(3,938)	(5,083)	(6,833)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,042)	(1,156)	(1,677)
Long-term debt	(3,594)	(3,846)	(4,632)
Other	(289)	(246)	(276)
Interest expense	(10,027)	(11,441)	(14,947)
Net interest income	**9,034**	**8,115**	**7,143**

7 Commissions and fees

in	2014	2013	2012
Commissions and fees (CHF million)			
Lending business	1,752	1,814	1,513
Investment and portfolio management	3,734	3,944	3,715
Other securities business	94	106	110
Fiduciary business	3,828	4,050	3,825
Underwriting	1,878	1,647	1,561
Brokerage	3,696	3,933	3,686
Underwriting and brokerage	5,574	5,580	5,247
Other services	1,897	1,782	2,139
Commissions and fees	**13,051**	**13,226**	**12,724**

8 Trading revenues

in	2014	2013	2012
Trading revenues (CHF million)			
Interest rate products	5,888	1,025	2,707
Foreign exchange products	(4,398)	1,203	559
Equity/index-related products	275	956	140
Credit products	265	(879)	(3,306)
Commodity, emission and energy products	(228)	340	198
Other products	224	94	898
Trading revenues	**2,026**	**2,739**	**1,196**

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.

9 Other revenues

in	2014	2013	2012
Other revenues (CHF million)			
Noncontrolling interests without SEI	436	658	336
Loans held-for-sale	(4)	(5)	(37)
Long-lived assets held-for-sale	392	30	458
Equity method investments	252	251	150
Other investments	312	315	749
Other	743	527	892
Other revenues	**2,131**	**1,776**	**2,548**

10 Provision for credit losses

in	2014	2013	2012
Provision for credit losses (CHF million)			
Provision for loan losses	145	166	159
Provision for lending-related and other exposures	41	1	11
Provision for credit losses	**186**	**167**	**170**

11 Compensation and benefits

in	2014	2013	2012
Compensation and benefits (CHF million)			
Salaries and variable compensation	9,884	9,678	10,717
Social security	793	778	769
Other [1]	657	800	817
Compensation and benefits [2]	**11,334**	**11,256**	**12,303**

1
Includes pension and other post-retirement expense of CHF 361 million, CHF 490 million and CHF 532 million in 2014, 2013 and 2012, respectively.
2
Includes severance and other compensation expense relating to headcount reductions of CHF 275 million, CHF 216 million and CHF 456 million in 2014, 2013 and 2012, respectively.

12 General and administrative expenses

in	2014	2013	2012
General and administrative expenses (CHF million)			
Occupancy expenses	1,177	1,186	1,220
IT, machinery, etc.	1,446	1,517	1,469
Provisions and losses	2,783	2,136	694
Travel and entertainment	353	355	394
Professional services	2,381	1,952	1,919
Goodwill impairment	0	12	0
Amortization and impairment of other intangible assets	24	25	36
Other	1,370	1,416	1,514
General and administrative expenses	**9,534**	**8,599**	**7,246**

13 Earnings per share

in	2014	2013	2012
Basic net income attributable to shareholders (CHF million)			
Income from continuing operations	**1,773**	**2,181**	**1,389**
Income/(loss) from discontinued operations, net of tax	102	145	(40)
Net income attributable to shareholders	**1,875**	**2,326**	**1,349**
Preferred securities dividends	(53)	(236)	(231)
Net income attributable to shareholders for basic earnings per share	**1,822**	**2,090**	**1,118**
Available for common shares	1,742	1,868	1,044
Available for unvested share-based payment awards	80	152	66
Available for mandatory convertible securities [1]	–	70	8
Diluted net income attributable to shareholders (CHF million)			
Net income attributable to shareholders for basic earnings per share	**1,822**	**2,090**	**1,118**
Income impact of assumed conversion on contracts that may be settled in shares or cash [2]	–	–	–
Net income attributable to shareholders for diluted earnings per share	**1,822**	**2,090**	**1,118**
Available for common shares	1,742	1,868	1,044
Available for unvested share-based payment awards	80	152	66
Available for mandatory convertible securities [1]	–	70	8
Weighted-average shares outstanding (million)			
Weighted-average shares outstanding for basic earnings per share available for common shares	**1,616.4**	**1,532.9**	**1,320.4**
Dilutive contracts that may be settled in shares or cash [3]	–	–	–
Dilutive share options and warrants	0.8	1.4	4.9
Dilutive share awards	12.2	1.2	1.8
Weighted-average shares outstanding for diluted earnings per share available for common shares [4]	**1,629.4**	**1,535.5**	**1,327.1**
Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards	**72.7**	**125.0**	**97.3**
Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]	**–**	**63.0**	**97.1**
Basic earnings per share available for common shares (CHF)			
Basic earnings per share from continuing operations	1.02	1.14	0.82
Basic earnings/(loss) per share from discontinued operations	0.06	0.08	(0.03)
Basic earnings per share available for common shares	**1.08**	**1.22**	**0.79**
Diluted earnings per share available for common shares (CHF)			
	1.01	1.14	0.82

Diluted earnings per share from continuing operations			
Diluted earnings/(loss) per share from discontinued operations	0.06	0.08	(0.03)
Diluted earnings per share available for common shares	**1.07**	**1.22**	**0.79**

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
Reflects changes in the fair value of the PAF2 units which are reflected in the net profit of the Group until the awards are finally settled. In the first quarter of 2014, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares. Fair value of the PAF2 units which were reflected in the net profit of the Group were not adjusted for 2013 and 2012, respectively, as the effect would be antidilutive.
3
Reflects weighted-average shares outstanding on PAF2 units. In the first quarter of 2014, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares. Weighted-average shares on PAF2 units for 2013 and 2012, respectively, were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.
4
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 8.9 million, 35.9 million and 50.3 million for 2014, 2013 and 2012, respectively.

14 Securities borrowed, lent and subject to repurchase agreements

end of	2014	2013
Securities borrowed or purchased under agreements to resell (CHF million)		
Central bank funds sold and securities purchased under resale agreements	100,169	100,244
Deposits paid for securities borrowed	63,039	59,778
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**163,208**	**160,022**
Securities lent or sold under agreements to repurchase (CHF million)		
Central bank funds purchased and securities sold under repurchase agreements	60,752	86,828
Deposits received for securities lent	9,367	7,204
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**70,119**	**94,032**

>>>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, 2014 and 2013.

15 Trading assets and liabilities

end of	2014	2013
Trading assets (CHF million)		
Debt securities	94,391	110,116
Equity securities	94,294	76,695
Derivative instruments [1]	38,012	31,603
Other	14,434	10,999
Trading assets	**241,131**	**229,413**
Trading liabilities (CHF million)		
Short positions	35,784	40,161
Derivative instruments [1]	36,871	36,474
Trading liabilities	**72,655**	**76,635**

1
Amounts shown net of cash collateral receivables and payables.

Cash collateral on derivative instruments

end of	2014	2013
Cash collateral – netted (CHF million) [1]		
Cash collateral paid	33,404	23,870
Cash collateral received	28,147	20,500
Cash collateral – not netted (CHF million) [2]		
Cash collateral paid	10,905	8,359
Cash collateral received	17,043	11,663

1
Recorded as cash collateral netting on derivative instruments in Note 26 – Offsetting of financial assets and financial liabilities.
2
Recorded as cash collateral on derivative instruments in Note 22 – Other assets and other liabilities.

16 Investment securities

end of	2014	2013
Investment securities (CHF million)		
Securities available-for-sale	2,791	2,987
Total investment securities	**2,791**	**2,987**

Investment securities by type

end of				2014				2013
	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	286	18	0	304	389	15	2	402
Debt securities issued by foreign governments	2,020	47	1	2,066	1,350	39	1	1,388
Corporate debt securities	313	0	0	313	590	16	0	606
Collateralized debt obligations	0	0	0	0	480	11	1	490
Debt securities available-for-sale	2,619	65	1	2,683	2,809	81	4	2,886
Banks, trust and insurance companies	73	25	0	98	74	18	0	92
Industry and all other	10	0	0	10	9	0	0	9
Equity securities available-for-sale	83	25	0	108	83	18	0	101
Securities available-for-sale	**2,702**	**90**	**1**	**2,791**	**2,892**	**99**	**4**	**2,987**

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**
2013 (CHF million)						
Debt securities issued by Swiss federal, cantonal or local governmental entities	168	2	0	0	168	2
Debt securities issued by foreign governments	109	1	0	0	109	1
Collateralized debt obligations	10	1	0	0	10	1
Debt securities available-for-sale	**287**	**4**	**0**	**0**	**287**	**4**

Management determined that the unrealized losses on debt securities are primarily attributable to general market interest rate, credit spread or exchange rate movements. 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	2014		2013		2012	
	Debt securities	Equity securities	Debt securities	Equity securities	Debt securities	Equity securities
Additional information (CHF million)						
Proceeds from sales	915	15	163	13	294	642
Realized gains	17	1	7	1	14	294
Realized losses	(1)	0	0	0	(2)	0

Amortized cost, fair value and average yield of debt securities

	Debt securities available-for-sale		
end of	Amortized cost	Fair value	Average yield (in %)
2014 (CHF million)			
Due within 1 year	874	884	2.23
Due from 1 to 5 years	1,531	1,569	0.87
Due from 5 to 10 years	206	221	1.30
Due after 10 years	8	9	2.00
Total debt securities	**2,619**	**2,683**	**1.36**

17 Other investments

end of	2014	2013
Other investments (CHF million)		
Equity method investments [1]	3,453	2,043
Non-marketable equity securities [1, 2]	2,717	6,032
Real estate held for investment	547	600
Life finance instruments [3]	1,896	1,654
Total other investments	**8,613**	**10,329**

1
As a result of the prospective adoption of ASU 2013-8, CHF 1,033 million of non-marketable equity securities were reclassified to equity method investments for which the fair value option was elected on January 1, 2014.
2
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.
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 net asset value (NAV) per share or its equivalent.

> Refer to "Note 34 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at >>>fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The 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 10 million, CHF 48 million and CHF 13 million were recorded in 2014, 2013 and 2012, respectively.

The accumulated depreciation related to real estate held for investment amounted to CHF 354 million, CHF 340 million and CHF 330 million for 2014, 2013 and 2012, respectively.

18 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 two business divisions, Private Banking & Wealth Management and Investment Banking, both of which are engaged in credit 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	2014	2013
Loans (CHF million)		
Mortgages	98,802	94,978
Loans collateralized by securities	39,818	31,565
Consumer finance	4,323	5,938
Consumer	142,943	132,481
Real estate	29,198	27,312
Commercial and industrial loans	75,046	63,334
Financial institutions	22,343	21,840
Governments and public institutions	3,891	3,047
Corporate & institutional	130,478	115,533
Gross loans	**273,421**	**248,014**
of which held at amortized cost	250,508	228,557
of which held at fair value	22,913	19,457
Net (unearned income)/deferred expenses	(112)	(91)
Allowance for loan losses	(758)	(869)
Net loans	**272,551**	**247,054**
Gross loans by location (CHF million)		
Switzerland	155,767	151,992
Foreign	117,654	96,022
Gross loans	**273,421**	**248,014**
Impaired loan portfolio (CHF million)		
Non-performing loans	753	862
Non-interest-earning loans	279	281
Total non-performing and non-interest-earning loans	1,032	1,143
Restructured loans	171	6
Potential problem loans	187	340
Total other impaired loans	358	346
Gross impaired loans	**1,390**	**1,489**

Allowance for loan losses

			2014			2013			2012
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)									
Balance at beginning of period	**267**	**602**	**869**	**288**	**634**	**922**	**289**	**621**	**910**
Changes in scope of consolidation	0	0	0	0	(1)	(1)	(18)	0	(18)
Net movements recognized in statements of operations	66	79	145	76	90	166	95	64	159
Gross write-offs	(108)	(241)	(349)	(123)	(163)	(286)	(105)	(96)	(201)
Recoveries	17	24	41	24	30	54	22	22	44
Net write-offs	(91)	(217)	(308)	(99)	(133)	(232)	(83)	(74)	(157)
Provisions for interest	1	19	20	5	21	26	8	21	29
Foreign currency translation impact and other adjustments, net	8	24	32	(3)	(9)	(12)	(3)	2	(1)
Balance at end of period	**251**	**507**	**758**	**267**	**602**	**869**	**288**	**634**	**922**
of which individually evaluated for impairment	202	338	540	217	437	654	239	457	696
of which collectively evaluated for impairment	49	169	218	50	165	215	49	177	226
Gross loans held at amortized cost (CHF million)									
Balance at end of period	**142,926**	**107,582**	**250,508**	**132,470**	**96,087**	**228,557**	**126,124**	**97,080**	**223,204**
of which individually evaluated for impairment [1]	582	808	1,390	569	920	1,489	661	1,068	1,729
of which collectively	142,344	106,774	249,118	131,901	95,167	227,068	125,463	96,012	221,475

evaluated for
impairment

1

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

Purchases, reclassifications and sales

in			2014			2013			2012
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Loans held at amortized cost (CHF million)									
Purchases [1]	181	4,127	4,308	0	4,611	4,611	348	4,605	4,953
Reclassifications from loans held-for-sale [2]	0	397	397	0	275	275	0	216	216
Reclassifications to loans held-for-sale [3]	1,055	806	1,861	0	996	996	0	1,323	1,323
Sales [3]	0	272	272	0	698	698	0	1,058	1,058

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.

263

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 obligor or 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 obligor. 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. Until the end of 2014, for corporate and institutional loans excluding corporates managed on the Swiss platform, the PD was determined through an internal rating assigned on the basis of a structured expert approach. The PD for each internal rating was calibrated to historic default experience using internal data and external data from Standard & Poor's. For corporates managed on the Swiss platform and consumer loans, the PD is calculated directly by proprietary statistical rating models, which are based on internally compiled data comprising both quantitative factors (primarily loan-to-value ratio and the borrower's income level for mortgage lending, and balance sheet information for corporates) 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. Effective January 1, 2015, the internal ratings approach for the majority loan facilities will be based on proprietary statistical rating models.

In the third quarter of 2014, Group credit risk management enhanced its internal credit rating methodology for >>>lombard loans on the Swiss platform across all loan classes by considering 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 on the Swiss platform 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. The Group risk 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. Also, 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

end of	Investment grade Ratings AAA to BBB	Non-investment grade Ratings BB to C	Rating D	Total
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
2013 (CHF million)				
Mortgages	76,990	17,779	209	94,978
Loans collateralized by securities	29,242	2,229	94	31,565
Consumer finance	2,741	2,938	248	5,927
Consumer	108,973	22,946	551	132,470
Real estate	19,574	7,220	72	26,866
Commercial and industrial loans	24,056	26,996	671	51,723
Financial institutions	12,691	3,231	112	16,034
Governments and public institutions	1,020	444	0	1,464
Corporate & institutional	57,341	37,891	855	96,087
Gross loans held at amortized cost	**166,314**	**60,837**	**1,406**	**228,557**
Value of collateral [1]	152,756	48,861	616	202,233

1
Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.

Value of collateral

In Private Banking & Wealth Management, all collateral values for loans are regularly reviewed according to our risk management policies and directives, with maximum review periods determined by 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 Investment Banking, 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
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**
2013 (CHF million)							
Mortgages	94,657	103	26	25	167	321	94,978
Loans collateralized by securities	31,365	95	2	12	91	200	31,565
Consumer finance	5,218	377	93	55	184	709	5,927
Consumer	131,240	575	121	92	442	1,230	132,470
Real estate	26,774	19	2	2	69	92	26,866
Commercial and industrial loans	50,879	343	77	74	350	844	51,723
Financial institutions	15,841	87	2	1	103	193	16,034
Governments and public institutions	1,459	5	0	0	0	5	1,464
Corporate & institutional	94,953	454	81	77	522	1,134	96,087
Gross loans held at amortized cost	**226,193**	**1,029**	**202**	**169**	**964**	**2,364**	**228,557**

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, 2014 and 2013, 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, 2014 and 2013, the Group did not have any material commitments to lend additional funds to debtors whose loan terms had been modified in troubled debt restructurings.

266

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
2014 (CHF million)							
Mortgages	189	19	208	4	39	43	251
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**
2013 (CHF million)							
Mortgages	167	13	180	0	45	45	225
Loans collateralized by securities	20	71	91	0	4	4	95
Consumer finance	244	5	249	0	0	0	249
Consumer	431	89	520	0	49	49	569
Real estate	53	15	68	0	5	5	73
Commercial and industrial loans	307	144	451	6	258	264	715
Financial institutions	71	33	104	0	28	28	132
Corporate & institutional	431	192	623	6	291	297	920
Gross impaired loans	**862**	**281**	**1,143**	**6**	**340**	**346**	**1,489**

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 Investment Banking, 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 Private Banking & Wealth Management, 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			2014			2013
	Recorded investment	Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance	Associated specific allowance
Gross impaired loan detail (CHF million)						
Mortgages	205	194	27	207	197	28
Loans collateralized by securities	63	60	53	67	63	55
Consumer finance	236	217	122	231	211	134
Consumer	504	471	202	505	471	217
Real estate	68	64	7	71	65	15
Commercial and industrial loans	599	570	259	705	656	340
Financial institutions	126	120	72	131	127	82
Corporate & institutional	793	754	338	907	848	437
Gross impaired loans with a specific allowance	**1,297**	**1,225**	**540**	**1,412**	**1,319**	**654**
Mortgages	46	46	–	18	18	–
Loans collateralized by securities	25	25	–	28	28	–
Consumer finance	7	7	–	18	18	–
Consumer	78	78	–	64	64	–
Real estate	7	7	–	2	2	–
Commercial and industrial loans	7	7	–	10	10	–
Financial institutions	1	1	–	1	1	–
Corporate & institutional	15	15	–	13	13	–
Gross impaired loans without specific allowance	**93**	**93**	**–**	**77**	**77**	**–**
Gross impaired loans	**1,390**	**1,318**	**540**	**1,489**	**1,396**	**654**
of which consumer	582	549	202	569	535	217
of which corporate & institutional	808	769	338	920	861	437

268

Gross impaired loan details (continued)

in			2014			2013			2012
	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	205	1	1	204	1	1	217	1	1
Loans collateralized by securities	65	0	0	70	2	2	68	1	0
Consumer finance	237	1	1	256	0	0	277	3	3
Consumer	507	2	2	530	3	3	562	5	4
Real estate	75	0	0	72	1	1	58	0	0
Commercial and industrial loans	667	3	2	748	5	5	620	3	2
Financial institutions	127	0	0	136	0	0	201	2	2
Governments and public institutions	5	0	0	0	0	0	6	0	0
Corporate & institutional	874	3	2	956	6	6	885	5	4
Gross impaired loans with a specific allowance	**1,381**	**5**	**4**	**1,486**	**9**	**9**	**1,447**	**10**	**8**
Mortgages	36	0	0	26	0	0	40	0	0
Loans collateralized by securities	29	0	0	27	0	0	8	0	0
Consumer finance	21	0	0	22	0	0	41	0	0
Consumer	86	0	0	75	0	0	89	0	0
Real estate	9	0	0						