

# VIII

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Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

**Credit Suisse AG, Zurich**

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As statutory auditor, we have audited the accompanying financial statements of Credit Suisse AG (the “Bank”), which comprise the balance sheet, statements of income, statement of changes in equity and notes thereto for the year ended December 31, 2015.

*Board of Directors’ Responsibility*

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

*Auditor’s Responsibility*

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

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

*Opinion*

In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the Bank’s articles of incorporation.



**Report on Other Legal and Regulatory Requirements**

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

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

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

KPMG AG

A handwritten signature in black ink, appearing to read 'S. Ryder'.

Simon Ryder  
*Licensed Audit Expert*  
*Auditor in Charge*

A handwritten signature in black ink, appearing to read 'R. Dicht'.

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

Zurich, Switzerland  
March 24, 2016

# Parent company financial statements

## Statements of income

	Reference to notes	2015	in 2014
<b>Statements of income (CHF million)</b>			
Interest and discount income		8,583	8,347
Interest and dividend income from trading activities		744	856
Interest and dividend income from financial investments		9	27
Interest expense		(4,454)	(5,130)
<b>Gross income from interest activities</b>		<b>4,882</b>	<b>4,100</b>
(Increase)/release of allowance for default risks and losses from interest activities		(463)	(213)
<b>Net income from interest activities</b>	4	<b>4,419</b>	<b>3,887</b>
Commission income from securities trading and investment activities		3,913	4,165
Commission income from lending activities		859	696
Commission income from other services		722	871
Commission expense		(590)	(675)
<b>Net income from commission and service activities</b>		<b>4,904</b>	<b>5,057</b>
<b>Net income/(loss) from trading activities and fair value option</b>	5	<b>346</b>	<b>1,135</b>
Income/(loss) from the disposal of financial investments		15	1
Income from participations		629	232
Income from real estate		31	37
Other ordinary income		425	580
Other ordinary expenses		(309)	(364)
<b>Net income from other ordinary activities</b>		<b>791</b>	<b>486</b>
Personnel expenses	6	4,199	4,187
General and administrative expenses	7	3,098	2,538
<b>Total operating expenses</b>		<b>7,297</b>	<b>6,725</b>
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets		5,401	4,517
Increase/(release) of provisions and other valuation adjustments, and losses	8	461	1,748
<b>Operating loss</b>		<b>(2,699)</b>	<b>(2,425)</b>
Extraordinary income	8	443	492
Extraordinary expenses	8	(24)	(251)
Taxes	9	(597)	(908)
<b>Net loss</b>		<b>(2,877)</b>	<b>(3,092)</b>

## Balance sheets

	Reference to notes	2015	end of 2014
<b>Assets (CHF million)</b>			
Cash and other liquid assets		74,949	61,802
Due from banks		109,513	150,870
Securities borrowing and reverse repurchase agreements	10	24,172	24,778
Due from customers	11	241,190	222,956
Mortgage loans	11	115,779	114,421
Trading assets	12	31,710	35,841
Positive replacement values of derivative financial instruments	13	13,934	16,858
Financial investments	14	2,835	3,006
Accrued income and prepaid expenses		2,805	2,410
Participations		40,415	43,924
Tangible fixed assets		2,669	2,870
Intangible assets		11	174
Other assets	15	2,028	1,750
<b>Total assets</b>		<b>662,010</b>	<b>681,660</b>
Total subordinated receivables		1,819	2,308
of which receivables subject to contractual mandatory conversion and/or cancellation		49	49
<b>Liabilities and shareholder's equity (CHF million)</b>			
Due to banks		70,875	87,987
Securities lending and repurchase agreements	10	11,239	5,267
Customer deposits		298,965	319,558
Trading liabilities	12	1,273	1,493
Negative replacement values of derivative financial instruments	13	13,271	14,197
Liabilities from other financial instruments held at fair value	12	56,002	42,512
Medium-term notes		759	1,263
Bonds and mortgage-backed bonds		159,134	161,847
Accrued expenses and deferred income		5,068	4,798
Other liabilities	15	685	576
Provisions	20	796	562
<b>Total liabilities</b>		<b>618,067</b>	<b>640,060</b>
Share capital	21	4,400	4,400
Legal capital reserves		32,616	27,316
of which capital contribution reserves		32,052	26,752
Legal income reserves		6,081	6,151
Voluntary income reserves		610	610
Retained earnings		3,113	6,215
Net loss		(2,877)	(3,092)
<b>Total shareholder's equity</b>		<b>43,943</b>	<b>41,600</b>
<b>Total liabilities and shareholder's equity</b>		<b>662,010</b>	<b>681,660</b>
Total subordinated liabilities		23,995	24,410
of which liabilities subject to contractual mandatory conversion and/or cancellation		9,219	9,225

## Off-balance sheet transactions

end of	2015	2014
<b>Off-balance sheet transactions (CHF million)</b>		
Contingent liabilities	182,050	207,039
Irrevocable commitments	120,654	114,509
Obligations for calls on shares and additional payments	61	63

The company belongs to the Swiss value-added tax group of Credit Suisse Group, and thus carries joint liability to the Swiss Federal Tax Administration for value-added tax debts of the entire Group.

Contingent liabilities to other Bank entities include guarantees for obligations, performance-related guarantees and letters of comfort issued to third parties. Contingencies with a stated amount are included in the off-balance sheet section of the financial

statements. In some instances, the Bank parent company's exposure is not defined as an amount but relates to specific circumstances such as the solvency of subsidiaries or the performance of a service.

## Statement of changes in equity

end of	Share capital	Legal capital reserves	Legal income reserves	Voluntary income reserves	Retained earnings	Net profit/(loss)	Total shareholder's equity
<b>2015 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>4,400</b>	<b>27,316</b>	<b>6,151</b>	<b>610</b>	<b>6,215</b>	<b>(3,092)</b>	<b>41,600</b>
Appropriation of net loss	–	–	–	–	(3,092)	3,092	–
Capital contributions	–	5,300 <sup>1</sup>	–	–	–	–	5,300
Dividends and other distributions	–	–	(70) <sup>2</sup>	–	(10)	–	(80)
Net loss	–	–	–	–	–	(2,877)	(2,877)
<b>Balance at end of period</b>	<b>4,400</b>	<b>32,616</b> <sup>3</sup>	<b>6,081</b>	<b>610</b>	<b>3,113</b>	<b>(2,877)</b>	<b>43,943</b>

<sup>1</sup> Represents à fonds perdu contributions to capital contribution reserves of CHF 800 million and CHF 4,500 million in November and December 2015, respectively, by Credit Suisse Group AG.

<sup>2</sup> Represents a distribution in kind of primarily financial assets and financial liabilities related to the transfer of the credit and charge cards issuing business to Swisscard AECS GmbH, an entity in which the Group holds a significant equity interest, which was approved by the Annual General Meeting on April 24, 2015.

<sup>3</sup> Includes capital contribution reserves of CHF 32,052 million. Distributions from capital contribution reserves are free of Swiss withholding tax and are not subject to income tax for Swiss resident individuals holding the shares as a private investment.

# Notes to the financial statements

## 1 Business activities, developments and subsequent events

### Business activities

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

As of December 31, 2015, the Bank parent company had total assets of CHF 662.0 billion and shareholder's equity of CHF 43.9 billion.

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

The Bank parent company provides private banking and investment banking services which include comprehensive advice and

a wide range of financial solutions to private, corporate and institutional clients. Private clients include ◉ ultra-high-net-worth and ◉ high-net-worth individuals around the globe, in addition to ◉ affluent and retail clients in Switzerland. The Bank parent company's services to corporate and institutional clients focus on the Swiss home market. Its service offering to private, corporate and institutional clients comprise of asset management services, which includes a wide range of investment products and solutions 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.

### Number of employees

end of	2015	2014
<b>Number of employees (full-time equivalents)</b>		
Switzerland	16,100	16,100
Abroad	4,700	4,300
<b>Total</b>	<b>20,800</b>	<b>20,400</b>

### Business developments

On November 19, 2015, the Group held an Extraordinary General Meeting, at which shareholders approved two capital increases. The Group completed the first capital increase by way of a private placement of 58,000,000 newly issued shares to a number of qualified investors. The Group completed the second capital increase by way of a rights offering. By the end of the rights exercise period on December 3, 2015, 99.0% of the rights had been exercised and 258,445,328 newly issued shares were subscribed. The capital increases resulted in 318,983,898 newly issued shares and gross proceeds for the Group of CHF 6.0 billion. Of these proceeds, the Bank parent company received CHF 5.3 billion as a capital contribution from the Group.

### Subsequent events

On March 17, 2016, Credit Suisse AG, acting through its Dublin Branch, signed a business transfer agreement to purchase parts of the Prime Services platform from Credit Suisse Securities (Europe) Limited. Credit Suisse Securities (Europe) Limited has agreed to transfer the underlying business to Credit Suisse AG in a phased approach which is expected to be completed within 18 months from the signing of the agreement. The initial purchase price of USD 300 million (CHF 297 million) will be paid when the majority of the associated client relationships have been transferred. The transaction will result in the recognition of an intangible asset in the balance sheet of Credit Suisse AG with a five-year amortization period. The purchase price may be adjusted if the number of transferred client relationships is ultimately lower than expected.

## 2 Accounting and valuation principles

### Summary of significant accounting and valuation principles

#### Basis for accounting

The Bank parent company's stand-alone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance and the ◉ Swiss Financial Market Supervisory Authority FINMA (FINMA) circular 2015/1, "Accounting rules for banks, securities dealers, financial groups and conglomerates" (Swiss GAAP statutory) as applicable for the preparation of reliable assessment statutory single-entity financial

statements. Supplemental information on unsecured senior debt and structured notes as provided by Note 19 is not a required disclosure under these rules.

The Bank's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the US (US GAAP), which differ in certain material respects from Swiss GAAP statutory.

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



► Refer to “Note 40 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)” in VII – Consolidated financial statements – Credit Suisse (Bank) for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

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

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

### Recording of transactions

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

### Foreign currency translations

The Bank parent company’s functional currency is Swiss francs (CHF). Transactions denominated in currencies other than the

functional currency are recorded using the foreign exchange rates at the date of the transaction.

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

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

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

### Foreign exchange rates

	End of		Average in	
	2015	2014	2015	2014
1 USD / 1 CHF	0.99	0.99	0.96	0.91
1 EUR / 1 CHF	1.08	1.20	1.07	1.21
1 GBP / 1 CHF	1.47	1.54	1.47	1.51
100 JPY / 1 CHF	0.82	0.83	0.80	0.86

### Cash and other liquid assets

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

### Due from banks

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

### Due from customers and mortgage loans

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

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

Valuation adjustments are netted with the corresponding assets.

### Trading assets and liabilities

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

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

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

Reclassifications between trading assets, financial investments and participations are allowed. Such reclassifications are recorded at the fair value valid at the time when the decision to reclassify is made. Resulting gains or losses are recognized applying the same

accounting principles as for the recognition of results from the disposal of such assets.

#### Derivative financial instruments and hedge accounting

Derivative financial instruments consist of trading and hedging instruments.

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

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

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

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

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

#### Other financial instruments held at fair value and liabilities from other financial instruments held at fair value

Financial instruments which are not part of the trading portfolio may be measured at fair value and classified in other financial instruments held at fair value or liabilities from other financial instruments held at fair value if all of the following conditions are met:

- The financial instruments are valued at fair value and are subject to risk management corresponding to that for trading positions including a documented risk management and investment strategy which ensures appropriate recognition, measurement and limitation of the miscellaneous risks.

- An economic hedging relationship between the financial instruments on the asset side and the financial instruments on the liability side exists and gains and losses from the fair valuation of these financial instruments are largely offset (avoidance of an accounting mismatch).
- Impacts of changes in own credit spreads on the fair value of an issued debt instrument following initial recognition are not reflected in the statements of income. Impacts of changes in own credit spreads are recognized in the compensation account.

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

#### Participations

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

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

#### Other assets and other liabilities

Other assets and other liabilities are generally recorded at cost or nominal value. Other assets and other liabilities include the net balance of the compensation accounts. The compensation accounts are used to record the hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity.

Changes in the book values of assets and liabilities that are not recognized in the statements of income of a reporting period are recorded in the compensation account as assets or liabilities. The gross amounts of compensation account assets and liabilities are offset and reported net on the balance sheet either in other assets or in other liabilities.

#### Due to banks

Amounts due to banks are recognized at their nominal value.

### Customer deposits

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

### Bonds and mortgage-backed bonds

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

### Provisions

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

Provisions which are no longer economically necessary and which are not used in the same reporting period to cover probable obligations of the same nature are released to income:

- tax provisions through line item taxes;
- provisions for pension benefit obligations and staff-related restructuring provisions through personnel expenses; and
- provision for off-balance sheet related default risks and other provisions including litigation provisions through line item increase/(release) of provisions and other value adjustments, and losses.

### Commission income

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

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

### Income tax accounting

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

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

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

### Extraordinary income and expense

The recognition of extraordinary income or expense is limited to transactions which are non-recurring and non-operating. Income

and expense related to other reporting periods qualify as extraordinary income and expense only if they account for the correction of errors with regards to non-operating transactions of prior periods.

### Contingent liabilities and irrevocable commitments

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

### Capital adequacy disclosures

Capital adequacy disclosures for the Group and the Bank parent company are presented in the publications "Basel III Pillar 3 – disclosures" and "Regulatory disclosures", respectively, available on the Group's website [www.credit-suisse.com/regulatorydisclosures](http://www.credit-suisse.com/regulatorydisclosures).

### Accounting policy changes and other adjustments

#### Assets under management

Effective as of July 1, 2015, the Bank parent company updated its assets under management policy, primarily to introduce more specific criteria and indicators to be applied in evaluating whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reduction in assets under management of CHF 41.4 billion, which has been reflected as structural effect in the third quarter of 2015.

► Refer to "Note 27 – Assets under management" for further information on assets under management.

#### Adoption of new accounting guidance for Swiss banks

In 2015, the Bank parent company has adopted the new accounting guidance for Swiss banks under the revised Swiss Federal Ordinance on Banks and Savings Banks (Banking Ordinance) of April 30, 2014 and FINMA circular 2015/1. The main impacts from the application of the new guidance as of January 1, 2015 are described in the following paragraphs.

The overall pre-tax impact from the adoption of the new accounting guidance for Swiss banks was an decrease in operating loss of CHF 127 million. Considering the increase in the income tax expense of CHF 234 million as a result of the release of previously recognized deferred taxation items and a positive tax effect of CHF 23 million from the other transitional adjustments, the post-tax impact was a increase in net loss of CHF 84 million.

The adoption of the new accounting guidance and related changes in accounting and valuation principles did not have an impact on the Bank parent company's reserves economically not required.

#### Change in scope of the fair value option

The scope of fair value option eligible instruments has been amended which resulted in a higher number of structured products

and related hedging structures being eligible for accounting under the fair value option. The new accounting guidance allows fair value accounting for issued structured products and for financial instruments (assets) entered into as an economic hedge if certain criteria are met. Under the new accounting guidance, the interest component is an integral part of the fair value of the instrument and has to be recorded to the net income/(loss) from trading activities and fair value option in the income statement. As of January 1, 2015, the impact from the additional fair value option election for structured products resulted in an increase in liabilities from other financial instruments held at fair value of CHF 6.6 billion and a corresponding decrease in bonds and mortgage-backed bonds and interest expense accruals. The revaluation impact from financial instruments that changed from bifurcated accounting or accrual accounting to fair value accounting was a pre-tax loss of CHF 27 million, of which CHF 384 million were recognized as a net loss from trading activities and fair value option, CHF 388 million as a decrease in interest expenses and CHF 31 million as an increase in interest and discount income in the statements of income.

#### Deferred gains and losses from extinguishments of own debt instruments and deferred gains from the sale of loans held-to-maturity

Under the old accounting guidance, when accrual accounted instruments such as bonds issued or loans held-to-maturity had been extinguished early, prepaid or sold, the related gains or losses were deferred. When bonds issued had been reacquired and legally extinguished by the Bank parent company, the related gains or losses were deferred on the balance sheet and subsequently amortized as an adjustment to interest expense through the income statement over the original maturity of the instrument extinguished. Gains or losses were also deferred for loans held-to-maturity that were disposed of or repaid prior to their final maturity. Those deferred gains or losses were amortized as an adjustment to interest income. Under the new accounting guidance, such gains and losses are no longer deferred. Upon adoption of the new accounting guidance the remaining deferred gains and losses as of January 1, 2015 have been released. The release resulted in an increase in gross income from interest activities of CHF 296 million, of which CHF 202 million were recognized as a decrease in interest expense and CHF 94 million as an increase in interest income. This release resulted in corresponding decreases in other assets and other liabilities on the balance sheet.

Gains and losses from the sale of held-to-maturity bonds recorded in financial investments continue to be deferred and amortized over the original maturity of these bonds.

#### Deferred taxation items

Under the old accounting guidance, deferred taxation items were created for temporary differences between the carrying value of an asset or a liability under Swiss GAAP statutory and the respective value for tax reporting, i.e., its tax base. These temporary differences resulted in the recording of deferred tax assets or deferred tax liabilities. Under the new accounting guidance, such deferred tax assets or liabilities are no longer recorded. As a result, upon adoption of the new accounting guidance any existing deferred tax assets or liabilities were released through the statements of income. The release resulted in an increase in the income tax expense of CHF 234 million, a decrease in other assets of CHF 287 million and a decrease in provisions of CHF 53 million.

#### Write-off of intangible assets

With the adoption of the new accounting guidance, the maximum useful life of intangible assets was reduced from 20 years to 10 years, which resulted in an additional write-off of CHF 157 million recognized in the statements of income.

In addition to the transitional effects described above, the new accounting guidance also required a new presentation format for the balance sheet and the income statement. As a result, reclassifications have been made to prior-year balances in order to conform to the new presentation. These reclassifications did not have any impact on net profit/(loss) or total shareholder's equity. Furthermore, the new guidance included enhanced disclosure requirements leading to additional disclosures in the notes to the financial statements.

### New accounting policies to be adopted in future periods

#### Individual valuation of participations

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

As of December 31, 2015, the carrying value of participations included total unrealized losses on certain participations of CHF 7,678 million, which were netted with unrealized gains on other participations of the same amount in accordance with the portfolio method applied under the current accounting policy.

### 3 Risk management, use of derivative financial instruments and hedge accounting

#### Risk management

Fundamental to the Credit Suisse AG and its subsidiaries' (Bank) business is the prudent taking of risk in line with its 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. The Bank's 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).

#### Risk governance

The Bank's risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role and defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of the Group, including primary responsibility for compliance with relevant legal and regulatory requirements and internal controls.

The second line of defense includes functions such as risk management, legal, compliance and product control. It articulates standards and expectations for the management of risk and effectiveness of controls, including advising on applicable legal and regulatory requirements and publishing related policies, and monitors compliance with the same. The second line of defense is separate from the front office and acts as an independent control function, responsible for reviewing and challenging front office activities and producing independent management information and risk management reporting for senior management and regulatory authorities.

The third line of defense is the internal audit function, which monitors the effectiveness of controls across various functions and operations, including risk management and governance practices.

Risk management of the Bank is aligned to the overall risk management governance of the Group. The Board of Directors, the Executive Board and the respective committees are comprised of the same individuals. The Bank's governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees and the Group Chief Risk Officer (CRO) in accordance with their respective authority.

#### 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.

### Risk appetite framework

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

The Group risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk controls are calibrated and the risk profile is managed. The framework was reviewed in 2015 and is guided by the following strategic risk objectives:

- maintaining Group-wide capital adequacy above minimum regulatory requirements under both normal and stressed conditions;
- promoting stability of earnings to support performance in line with financial objectives;
- ensuring sound management of liquidity and funding risk in normal and stressed conditions;
- proactively controlling concentration risks;
- managing operational risk to ensure sustainable performance;
- minimizing reputational risk; and
- managing and controlling business conduct risk.

Group-wide risk appetite is determined in partnership with the financial and capital planning process on an annual basis, based on bottom-up forecasts that reflect planned risk-usage by the businesses and top-down, Board-driven strategic risk objectives and risk appetite. Scenario stress testing of financial and capital plans is an essential element in the risk appetite calibration process as a key means through which our strategic risk objectives, financial resources and business plans are aligned. The capital plans are also analyzed using our economic capital coverage ratio, which provides a further means of assessing bottom-up risk plans with respect to available capital resources. The risk appetite is approved through a number of internal governance forums, including joint approval by both the Group CRO and the Chief Financial Officer (CFO), CARMC, the Risk Committee and subsequently by the Board.

The risk appetite statement is the formal plan, approved by the Board, for our Group-wide risk appetite. Key divisional allocations

are cascaded from the Group and approved in divisional risk management committees. Legal entity risk appetites are allocated from the Group and are approved by the local legal entity board of directors.

A core aspect of the Group's risk appetite framework is a sound system of integrated risk controls to maintain the Group's and the Bank's risk profile within their overall risk appetites. 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.

### Risk coverage and management

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.

The key risk types, their definitions and key risk evaluation methods are summarized in the table "Key risk types overview".

It is important to both evaluate each risk type separately and assess 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

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.

During 2015, as part of the Group's economic risk capital strategic development program to further embed economic risk capital into the Group's risk appetite framework, the Group introduced a "gone concern" coverage ratio to assess the capital adequacy of our financial plans. Upon completion of the program, the Bank plans to use the economic risk capital coverage ratio in its assessment process under two scenarios: (i) a "going concern" basis, which means that the Bank holds sufficient capital to absorb losses while remaining in business, and (ii) a "gone concern" basis, which means that the Bank holds sufficient capital to fund an orderly resolution.

## Key risk types overview

Key risk types and definition	Key risk evaluation methods
<b>Liquidity and funding risks:</b> The risk that we do not have the appropriate amount of funding and liquidity to meet our obligations.	Liquidity coverage ratio, net stable funding ratio, liquidity barometer, stress testing
<b>Market risk:</b> The risk of financial loss from adverse changes in market prices, including interest rates, credit spreads, foreign exchange, equity and commodity prices, and other factors such as market volatility and the correlation of market prices.	Value-at-risk, sensitivities, economic risk capital, stress testing
<b>Credit risk:</b> The risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty.	Gross and net loan exposures, commitments, probability of default, loss given default, exposure at default, potential future exposure, country exposures, economic risk capital, stress testing
<b>Operational risk:</b> The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.	Risk and control self-assessments, risk and control indicators, internal and external incident data, economic risk capital, stress testing
<b>Conduct risk:</b> The risk that poor conduct by the Bank, employees or representatives could result in clients not receiving fair treatment or fair outcomes from the transactions, damage to the integrity of the financial markets or the wider financial system, or ineffective competition that disadvantages clients.	
<b>Technology risk:</b> The risk of financial loss from failure, exploitation of vulnerabilities or other deficiencies in the platforms that support our daily operations and the system applications and infrastructure on which they reside.	
<b>Legal, compliance and regulatory risks:</b> Legal and compliance risks are the risk of loss arising from the failure to comply with legal obligations, applicable regulations and other related circumstances. Regulatory risk is the risk that changes in laws may affect our activities.	
<b>Reputational risk:</b> 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.	
<b>Fiduciary risk:</b> The risk of financial loss arising when the Bank or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a product-related market, credit, liquidity and operational risk perspective.	<ul style="list-style-type: none"> <li>■ A comprehensive assessment for these risk types is performed both periodically and event-driven.</li> <li>■ The results of the analysis impact management actions such as strategy adjustments, tactical measures, policy adjustments, event-driven crisis guidelines, staff training and individual performance measurement.</li> <li>■ The risk management actions include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments.</li> </ul>
<b>Strategic risk:</b> 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.	

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.

### Stress testing

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.

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- and Bank-wide stressed position loss limits to correspond to minimum post-stress capital ratios.

### Liquidity and funding risks

The Bank's liquidity and funding profile reflects its strategy and risk appetite and is driven by business activity levels and the overall operating environment. The liquidity and funding strategy is approved by CARMC and overseen by the Board. The implementation and execution of the funding and liquidity strategy is managed by Treasury. Treasury ensures adherence to the funding policy and the efficient coordination of the secured funding desks. This approach enhances the Bank's ability to manage potential liquidity and funding risks and to promptly adjust its liquidity and funding levels to meet stress situations. The Bank's liquidity and funding profile is regularly reported to CARMC and the Board, who define the Bank's risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of its businesses.

### Market risk

A typical transaction or position in financial instruments may be exposed to a number of different market risks. The Bank's trading (trading book) and non-trading (banking book) business activities have different sources of market risk. The classification of assets into trading book and banking book portfolios determines the approach for analyzing the Bank's market risk exposure. This classification reflects the business and risk management perspective

and may be different from the classification of these assets for financial reporting purposes.

Market risks from the trading book primarily relate to the trading activities in the Bank's investment banking businesses.

Market risks from the banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. The Bank's businesses and Treasury have non-trading portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates, equity prices and, to a lesser extent, commodity prices.

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

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

#### Credit risk

The majority of the Bank's credit risk is concentrated in the private banking, corporate and institutional as well as investment banking businesses. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from ◊ derivatives, foreign exchange and other transactions.

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.

The Bank's credit risk management framework covers virtually all of the Bank's credit exposure and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- industry concentration limits;
- product limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

The Bank employs 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 ◊ over-the-counter (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. The Bank's internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. For the calculation of internal risk estimates (e.g., an estimate of expected loss in the event of a counterparty default) and ◊ risk-weighted assets, a ◊ probability of default (PD), ◊ loss given default (LGD) and ◊ exposure at default (EAD) 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 ◊ advanced internal ratings-based approach (A-IRB) under the Basel framework.

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.



*Default risks, impairments and credit risk provisioning methodology*

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

The Bank maintains specific valuation allowances on loans valued at amortized cost, which are considered a reasonable estimate of losses identified in the existing credit portfolio. Provisions for loan losses are established based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. 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.

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 Bank's lending portfolios related to the private banking and wealth management businesses are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In the Bank's investment banking businesses, inherent losses on loans are estimated based on a model using long-term industry-wide historical default and recovery data taking into account the credit rating and industry of each counterparty. A separate component of the calculation reflects the current market conditions in the allowance for loan losses. Qualitative adjustments to reflect current market conditions or any other factors not captured by the model are approved by management and reflected in the allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

*Risk mitigation*

The Bank actively manages its credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with the Bank's counterparties and an internally independent collateral management function.

For credit exposures collateralized by marketable securities, collateral is valued daily, except as agreed otherwise in contracts or other legal documentation. The mark-to-market prices used for

valuing collateral are a combination of Group-internal and market prices sourced from trading platforms and service providers, as appropriate. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

For the mortgage lending portfolio in the private banking, corporate and institutional businesses, real estate property is valued at the time of credit approval and periodically thereafter, according to our internal policies and controls, depending on the type of loan (e.g., residential or commercial loan), characteristics of the borrower, current developments in the relevant real estate market, the current level of credit exposure to the borrower (loan-to-value ratio) and appraisal cost. 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 annually or more frequently by credit risk management within the impairment review process.

The primary types of collateral typically depend on the type of credit transaction. Collateral securing foreign exchange transactions and OTC trading activities primarily includes cash and US treasury instruments, G10 government securities and corporate bonds. Collateral securing loan transactions primarily includes financial collateral pledged against loans collateralized by securities of clients in the private banking, corporate and institutional businesses (primarily cash and marketable securities), real estate property for mortgages, mainly residential, but also multi-family buildings, offices and commercial properties, and other types of lending collateral such as accounts receivable, inventory, plant and equipment.

*Operational risk*

Operational risk is inherent in most aspects of the Bank's business, including the systems and processes that support its activities. It comprises a large number of disparate risks that can manifest in a variety of ways. 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.

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. The Bank believes that effective management of operational risk requires a common Bank-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. The Bank started to introduce its current operational risk

framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past three years, the Bank has redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. 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 Bank while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Bank-wide minimum standards.

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

The Bank has used an internal model to calculate the regulatory capital requirement for operational risk under the advanced measurement approach since 2008. In 2014, it 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. In 2015, the Bank made improvements to the model's treatment of litigation-related losses. It also made enhancements to further align the operational risk scenarios with other key components of the operational risk framework and to ensure consistency with the stress scenario framework developed for enterprise-wide risk management purposes.

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. 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. 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 may arise from a variety of sources, including unauthorized trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, failure to manage conflicts of interest, trade processing errors, inaccurate benchmark submissions, failure to provide best execution where

required, acting in an anti-competitive manner, failure to safeguard 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 within the operational risk framework, which considers the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the Bank and at other firms in the financial services sector.

#### Technology risk

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 the Bank's 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.

Service and infrastructure disruption risks are managed through our business continuity management plan, the Bank's technology risk management program and other contingency and resiliency plans. Although the Bank has business continuity plans, its 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, the Bank operates 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 its 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 the Bank, its inability to enforce legal rights or the failure to take measures to protect its 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 the Bank's activities and have a negative effect on its business or its ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make its products and services more expensive for clients.

As part of the Bank's risk framework, legal, compliance and regulatory risks fall within the definition of operational risk. Management of these risks is the responsibility of all its employees.

### Reputational risk

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself.

The Bank's policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to its reputation. The Bank has 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.

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.

### Fiduciary risk

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

### Strategic risk

A wide variety of financial, risk, client and market analyses are used by the Bank to monitor the effectiveness of its strategies and the performance of its businesses against their strategic objectives. These include 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 Chief Executive Officer (CEO) before presentation to the Executive Board. Following approval by the Executive Board, the Group plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates the Group's performance against strategic objectives and sets the overall strategic direction for the Group. From time to time, the Board and the Executive Board conduct more

fundamental in-depth reviews of the Group's strategy. This type of review was undertaken following the appointment of the new CEO in 2015 and leading to the announcement of our new strategy on October 21, 2015.

► Refer to "Strategy" in I – Information on the company for further information.

## Use of derivative financial instruments and hedge accounting

### Business policy for use of derivative financial instruments

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

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

### Economic hedges

Economic hedges arise when the Bank parent company enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, core banking business assets and liabilities; as well as selected foreign participations against adverse movements in foreign exchange rates;
- credit derivatives to manage credit risk on certain loan portfolios; and
- futures to manage risk on equity positions including convertible bonds.

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

### Hedge accounting

Hedge accounting for the Bank parent company is determined, recorded and disclosed in accordance with US GAAP.

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

#### Fair value hedges

The Bank parent company designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, repurchase agreements and long-term debt instruments, the Bank parent company uses:

- cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
- foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

#### Cash flow hedges

The Bank parent company designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Bank parent company also uses cross-currency swaps to convert

foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Bank parent company elects to be exposed. Further, the Bank parent company uses derivatives to hedge its cash flows associated with forecasted transactions.

#### Hedge effectiveness assessment

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

## 4 Net income from interest activities

### Negative interest

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

### Negative interest income and expense

in	2015	2014
<b>Negative interest income and expense (CHF million)</b>		
Negative interest income debited to interest income	(93)	0
Negative interest expenses credited to interest expense	119	2

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

in	2015	2014
<b>Net income/(loss) from trading activities and fair value option by risk of underlying instruments (CHF million)</b>		
Interest rate instruments <sup>1</sup>	286	190
Equity instruments <sup>1</sup>	(303)	1,984
Foreign exchange	706	(390)
Precious metals	42	(63)
Commodities <sup>2</sup>	(84)	(600)
Credit instruments	(244)	(29)
Other instruments	(57)	43
<b>Net income/(loss) from trading activities and fair value option</b>	<b>346</b>	<b>1,135</b>
of which net income/(loss) from fair value option	4,820	381
of which net income/(loss) from fair value option on liabilities	4,820	381

<sup>1</sup> Includes trading income/(loss) from related fund investments.

<sup>2</sup> Includes emission and energy products.

Trading activities at the Bank parent company level are only monitored and managed for entity-specific capital adequacy purposes and are not measured along divisional or individual business lines.

The trading activities of the divisions or individual businesses are only monitored and managed at the Group level based on US GAAP metrics.

## 6 Personnel expenses

in	2015	2014
<b>Personnel expenses (CHF million)</b>		
Salaries	3,429	3,381
of which variable compensation expenses	526	520
Social benefit expenses	630	669
of which pension and other post-retirement expenses	396	428
Other personnel expenses	140	137
<b>Personnel expenses</b>	<b>4,199</b>	<b>4,187</b>

## 7 General and administrative expenses

in	2015	2014
<b>General and administrative expenses (CHF million)</b>		
Occupancy expenses	365	390
Information and communication technology expenses	219	214
Furniture and equipment	40	39
Fees to external audit companies	29	24
of which fees for financial and regulatory audits <sup>1</sup>	27	23
of which fees for other services	2	1
Other operating expenses	2,445	1,871
<b>General and administrative expenses</b>	<b>3,098</b>	<b>2,538</b>

<sup>1</sup> Represents total fees for financial statement, regulatory and related audit services paid by legal entity Credit Suisse AG to external audit companies.

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

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

in	2015	2014
<b>Increase/(release) of provisions and other valuation adjustments, and losses (CHF million)</b>		
Increase/(release) of provisions	447 <sup>1</sup>	1,738 <sup>2</sup>
Other losses	14	10
<b>Increase/(release) of provisions and other valuation adjustments, and losses</b>	<b>461</b>	<b>1,748</b>

<sup>1</sup> Primarily related to increases in litigation provisions.

<sup>2</sup> Reflects the impact of the final settlement regarding all outstanding US cross-border matters with a pre-tax litigation settlement charge of CHF 1,618 million.

### Extraordinary income and expenses

in	2015	2014
<b>Extraordinary income (CHF million)</b>		
Gains realized from the disposal of participations	84 <sup>1</sup>	68 <sup>2</sup>
Gains realized from the disposal of tangible fixed assets <sup>3</sup>	108	424
Other extraordinary income	251 <sup>4</sup>	0
<b>Extraordinary income</b>	<b>443</b>	<b>492</b>
<b>Extraordinary expenses (CHF million)</b>		
Losses realized from the disposal of participations	(24) <sup>5</sup>	(251) <sup>6</sup>
<b>Extraordinary expenses</b>	<b>(24)</b>	<b>(251)</b>

<sup>1</sup> Primarily related to the share buy back of Euroclear and the liquidation of a subsidiary and an investment fund.

<sup>2</sup> Primarily related to the partial sale of the Bank parent company's participations in Euroclear and the liquidation of a subsidiary.

<sup>3</sup> Includes realized gains from the sale of real estate (bank premises).

<sup>4</sup> Reflects the impact from the recognition of intangible assets previously not recorded that have been sold subsequently.

<sup>5</sup> Primarily related to the liquidation of two participations.

<sup>6</sup> Includes realized losses of CHF 236 million from the redemption of the remaining ordinary shares in Credit Suisse Capital (Guernsey) I Limited in the first quarter of 2014, and realized losses of CHF 15 million from the liquidation and sale of three subsidiaries.

## 9 Taxes

in	2015	2014
<b>Current and deferred income taxes (CHF million, except where indicated) <sup>1</sup></b>		
Current income tax (expense)/benefit	(240)	(389)
Deferred income tax (expense)/benefit <sup>2</sup>	(201)	(388)
<b>Income tax (expense)/benefit</b>	<b>(441)</b>	<b>(777)</b>
<b>Weighted-average tax rate (%) <sup>3</sup></b>	<b>(18)</b>	<b>(34)</b>
<b>Impact from changes in tax loss carry-forwards on current income taxes (CHF million)</b>		
<b>Reduction of current income taxes from utilization of tax loss carry-forwards <sup>4</sup></b>	<b>14</b>	<b>276</b>

<sup>1</sup> Excludes capital taxes and other non-income-based taxes such as UK bank levy expenses and Swiss capital taxes.

<sup>2</sup> With the adoption of the new accounting guidance for Swiss banks the Bank parent company has changed its tax accounting policy and does no longer recognize deferred tax assets and deferred tax liabilities on temporary tax differences. All remaining balances of deferred tax assets and deferred tax liabilities as of January 1, 2015 have been released.

<sup>3</sup> Calculated based on total income taxes and profit/(loss) before income tax.

<sup>4</sup> Calculation based on statutory tax rates applied to the profit before income tax against which tax loss carry-forwards were utilized.

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

end of	2015	2014
<b>Assets and liabilities from securities lending and borrowing, repurchase and reverse repurchase agreements (CHF million)</b>		
<b>Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements <sup>1</sup></b>	<b>26,659</b>	<b>27,545</b>
<b>Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements <sup>1</sup></b>	<b>13,727</b>	<b>8,034</b>
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	5,177	4,639
of which transfers with the right to resell or repledge	4,961	4,624
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	54,302	58,751
of which repledged	27,844	20,966
of which resold	3,398	3,485

<sup>1</sup> Before impact of master netting agreements.

## 11 Collateral and impaired loans

### Collateralization of loans

end of			Secured <sup>1</sup>	Unsecured	Total
	Mortgages	Other collateral	Total		
<b>2015 (CHF million)</b>					
Due from customers	690	106,713	107,403	135,013	242,416
Residential property	92,895	0	92,895	0	92,895
Offices and commercial property	13,280	0	13,280	0	13,280
Manufacturing and industrial property	8,535	0	8,535	0	8,535
Other	1,148	0	1,148	0	1,148
Mortgage loans	115,858	0	115,858	0	115,858
<b>Gross loans</b>	<b>116,548</b>	<b>106,713</b>	<b>223,261</b>	<b>135,013</b>	<b>358,274</b>
Allowance for loan losses	(81)	(866)	(947)	(358)	(1,305)
<b>Net loans</b>	<b>116,467</b>	<b>105,847</b>	<b>222,314</b>	<b>134,655</b>	<b>356,969</b>
of which due from customers	688	105,847	106,535	134,655	241,190
of which mortgage loans	115,779	0	115,779	0	115,779
<b>2014 (CHF million)</b>					
Due from customers	2,093	96,068	98,161	125,708	223,869
Residential property	90,363	0	90,363	0	90,363
Offices and commercial property	14,434	0	14,434	0	14,434
Manufacturing and industrial property	8,754	0	8,754	0	8,754
Other	947	0	947	0	947
Mortgage loans	114,498	0	114,498	0	114,498
<b>Gross loans</b>	<b>116,591</b>	<b>96,068</b>	<b>212,659</b>	<b>125,708</b>	<b>338,367</b>
Allowance for loan losses	(78)	(516)	(594)	(396)	(990)
<b>Net loans</b>	<b>116,513</b>	<b>95,552</b>	<b>212,065</b>	<b>125,312</b>	<b>337,377</b>
of which due from customers	2,092	95,552	97,644	125,312	222,956
of which mortgage loans	114,421	0	114,421	0	114,421

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



## Collateralization of off-balance sheet transactions

end of	Secured <sup>1</sup>			Unsecured	Total
	Mortgages	Other collateral	Total		
<b>2015 (CHF million)</b>					
Contingent liabilities	177	18,332	18,509	163,541 <sup>2</sup>	182,050
Irrevocable commitments	716	55,745	56,461	64,193	120,654
Obligations for calls on shares and additional payments	0	0	0	61	61
<b>Off-balance sheet transactions</b>	<b>893</b>	<b>74,077</b>	<b>74,970</b>	<b>227,795</b>	<b>302,765</b>
<b>2014 (CHF million)</b>					
Contingent liabilities	185	30,772	30,957	176,082 <sup>2</sup>	207,039
Irrevocable commitments	503	48,803	49,306	65,203	114,509
Obligations for calls on shares and additional payments	0	0	0	63	63
<b>Off-balance sheet transactions</b>	<b>688</b>	<b>79,575</b>	<b>80,263</b>	<b>241,348</b>	<b>321,611</b>

<sup>1</sup> Includes the market value of collateral up to the notional amount of the related off-balance sheet transaction. For mortgage-backed off-balance sheet exposures, the market value of collateral is determined at the time of granting the credit facility and thereafter regularly reviewed according to the Bank parent company's risk management policies and directives, with maximum review periods determined by property type, market liquidity, market transparency and appraisal cost. For impaired exposures, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.

<sup>2</sup> A majority of contingent liabilities are related to guarantees issued in favor of Group companies.

## Impaired loans

end of	Gross amount outstanding	Estimated realizable collateral value <sup>1</sup>	Net amount outstanding	Specific allowance
<b>2015 (CHF million)</b>				
Impaired loans	2,565	1,126	1,439	922
<b>2014 (CHF million)</b>				
Impaired loans	1,556	548	1,008	711

<sup>1</sup> Represents the estimated realizable collateral value up to the related gross amount outstanding.

## Changes in impaired loans

	2015			2014		
	Due from customers	Mortgage loans	Total	Due from customers	Mortgage loans	Total
<b>Impaired loans (CHF million)</b>						
<b>Balance at beginning of period</b>	<b>1,312</b>	<b>244</b>	<b>1,556</b>	<b>1,243</b>	<b>242</b>	<b>1,485</b>
Change in organization	(6)	0	(6)	0	0	0
New impaired loan balances	1,769	191	1,960	520	160	680
Increase of existing impaired loan balances	57	7	64	162	17	179
Reclassifications to performing loans	(90)	(74)	(164)	(55)	(7)	(62)
Repayments	(500)	(41)	(541)	(304)	(140)	(444)
Liquidation of collateral, insurance and guarantee payments	(32)	(81)	(113)	(78)	(27)	(105)
Write-offs	(155)	(3)	(158)	(279)	(1)	(280)
Sales	(43)	0	(43)	(1)	0	(1)
Foreign exchange translation impact	10	0	10	104	0	104
<b>Balance at end of period</b>	<b>2,322</b>	<b>243</b>	<b>2,565</b>	<b>1,312</b>	<b>244</b>	<b>1,556</b>

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

end of	2015	2014
<b>Trading assets and other financial instruments held at fair value (CHF million)</b>		
Debt securities, money market instruments and money market transactions	23,155	27,322
of which exchange-traded	2,453	4,311
Equity securities	6,521	5,531
Precious metals and commodities	2,034	2,988
<b>Trading assets</b>	<b>31,710</b>	<b>35,841</b>
of which carrying value determined based on a valuation model	12,060	20,831
of which securities eligible for repurchase transactions in accordance with liquidity regulations	1,654	2,444
end of	2015	2014
<b>Trading liabilities and liabilities from other financial instruments held at fair value (CHF million)</b>		
Debt securities, money market instruments and money market transactions	717	1,013
of which exchange-traded	504	759
Equity securities	556	480
<b>Trading liabilities</b>	<b>1,273</b>	<b>1,493</b>
Structured products	56,002	42,512
<b>Liabilities from other financial instruments held at fair value</b>	<b>56,002</b>	<b>42,512</b>
<b>Trading liabilities and liabilities from other financial instruments held at fair value</b>	<b>57,275</b>	<b>44,005</b>
of which carrying value determined based on a valuation model	56,770	43,246

## 13 Derivative financial instruments

	Trading			Hedging <sup>1</sup>		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
<b>end of 2015</b>						
<b>Derivative financial instruments (CHF million)</b>						
Forwards and forward rate agreements	80,929	39	78	0	0	0
Swaps	2,155,859	19,090	19,661	49,175	2,224	763
Options bought and sold (OTC)	40,456	615	700	0	0	0
Futures	70,085	0	0	0	0	0
Options bought and sold (exchange-traded)	21	4	0	0	0	0
<b>Interest rate products</b>	<b>2,347,350</b>	<b>19,748</b>	<b>20,439</b>	<b>49,175</b>	<b>2,224</b>	<b>763</b>
Forwards and forward rate agreements	1,209,492	15,879	16,029	13	1	1
Swaps <sup>2</sup>	60,559	1,511	2,311	120	11	0
Options bought and sold (OTC)	446,340	10,223	9,596	0	0	0
Futures	214	0	0	0	0	0
<b>Foreign exchange products</b>	<b>1,716,605</b>	<b>27,613</b>	<b>27,936</b>	<b>133</b>	<b>12</b>	<b>1</b>
Forwards and forward rate agreements	5,344	76	75	0	0	0
Options bought and sold (OTC)	6,568	168	137	0	0	0
Futures	2	0	0	0	0	0
<b>Precious metal products</b>	<b>11,914</b>	<b>244</b>	<b>212</b>	<b>0</b>	<b>0</b>	<b>0</b>
Swaps	24,332	888	1,721	0	0	0
Options bought and sold (OTC)	72,555	3,372	3,233	0	0	0
Futures	3,830	0	0	0	0	0
Options bought and sold (exchange-traded)	38,872	856	1,537	0	0	0
<b>Equity/index-related products</b>	<b>139,589</b>	<b>5,116</b>	<b>6,491</b>	<b>0</b>	<b>0</b>	<b>0</b>
Credit default swaps	19,932	1,035	719	0	0	0
Total return swaps	296	7	8	0	0	0
Other credit derivatives	21,553	189	95	0	0	0
<b>Credit derivatives</b>	<b>41,781</b>	<b>1,231</b>	<b>822</b>	<b>0</b>	<b>0</b>	<b>0</b>
Forwards and forward rate agreements	1	0	0	0	0	0
Swaps	8,757	1,378	504	0	0	0
Options bought and sold (OTC)	2,111	131	44	0	0	0
Futures	70	0	0	0	0	0
Options bought and sold (exchange-traded)	207	59	70	0	0	0
<b>Other derivative products<sup>3</sup></b>	<b>11,146</b>	<b>1,568</b>	<b>618</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Derivative financial instruments<sup>4</sup></b>	<b>4,268,385</b>	<b>55,520</b>	<b>56,518</b>	<b>49,308</b>	<b>2,236</b>	<b>764</b>
of which replacement value determined based on a valuation model	–	54,821	55,729	–	2,236	764

<sup>1</sup> Relates to derivative financial instruments that qualify for hedge accounting.

<sup>2</sup> Including combined interest rate and foreign exchange swaps.

<sup>3</sup> Primarily commodity, energy and emission products.

<sup>4</sup> Before impact of master netting agreements.

## Derivative financial instruments (continued)

end of 2014	Trading			Hedging <sup>1</sup>		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
<b>Derivative financial instruments (CHF million)</b>						
Forwards and forward rate agreements	69,053	47	63	0	0	0
Swaps	1,082,323	11,402	11,337	53,136	2,632	1,068
Options bought and sold (OTC)	43,666	392	471	0	0	0
Futures	34,818	0	0	0	0	0
Options bought and sold (exchange-traded)	54	14	6	0	0	0
<b>Interest rate products</b>	<b>1,229,914</b>	<b>11,855</b>	<b>11,877</b>	<b>53,136</b>	<b>2,632</b>	<b>1,068</b>
Forwards and forward rate agreements	1,722,248	29,527	30,970	101	4	4
Swaps <sup>2</sup>	58,062	2,967	3,118	3,143	9	531
Options bought and sold (OTC)	896,407	16,137	14,919	0	0	0
Futures	97	0	0	0	0	0
<b>Foreign exchange products</b>	<b>2,676,814</b>	<b>48,631</b>	<b>49,007</b>	<b>3,244</b>	<b>13</b>	<b>535</b>
Forwards and forward rate agreements	9,946	145	153	0	0	0
Options bought and sold (OTC)	7,378	180	116	0	0	0
Futures	547	0	0	0	0	0
<b>Precious metal products</b>	<b>17,871</b>	<b>325</b>	<b>269</b>	<b>0</b>	<b>0</b>	<b>0</b>
Swaps	20,657	877	570	0	0	0
Options bought and sold (OTC)	97,420	3,944	3,626	0	0	0
Futures	2,598	0	0	0	0	0
Options bought and sold (exchange-traded)	44,841	1,031	2,057	0	0	0
<b>Equity/index-related products</b>	<b>165,516</b>	<b>5,852</b>	<b>6,253</b>	<b>0</b>	<b>0</b>	<b>0</b>
Credit default swaps	19,414	991	682	0	0	0
Total return swaps	156	15	15	0	0	0
Other credit derivatives	20,448	255	247	0	0	0
<b>Credit derivatives</b>	<b>40,018</b>	<b>1,261</b>	<b>944</b>	<b>0</b>	<b>0</b>	<b>0</b>
Forwards and forward rate agreements	6	0	0	0	0	0
Swaps	10,082	1,351	796	0	0	0
Options bought and sold (OTC)	346	31	24	0	0	0
Futures	133	0	0	0	0	0
Options bought and sold (exchange-traded)	930	223	344	0	0	0
<b>Other derivative products<sup>3</sup></b>	<b>11,497</b>	<b>1,605</b>	<b>1,164</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Derivative financial instruments<sup>4</sup></b>	<b>4,141,630</b>	<b>69,529</b>	<b>69,514</b>	<b>56,380</b>	<b>2,645</b>	<b>1,603</b>
of which replacement value determined based on a valuation model	–	69,086	68,931	–	2,645	1,603

<sup>1</sup> Relates to derivative financial instruments that qualify for hedge accounting.

<sup>2</sup> Including combined interest rate and foreign exchange swaps.

<sup>3</sup> Primarily commodity, energy and emission products.

<sup>4</sup> Before impact of master netting agreements.

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

end of	2015	2014
<b>Positive and negative replacement values – before consideration of master netting agreements (CHF million)</b>		
Positive replacement values – trading and hedging	57,756	72,174
Negative replacement values – trading and hedging	57,282	71,117
<b>Positive and negative replacement values – after consideration of master netting agreements (CHF million)</b>		
Positive replacement values – trading and hedging <sup>1</sup>	13,934	16,858
Negative replacement values – trading and hedging <sup>1</sup>	13,271	14,197

<sup>1</sup> Netting includes counterparty exposure and cash collateral netting.

### Positive replacement values by counterparty type

end of	2015	2014
<b>Positive replacement values by counterparty type (CHF million)</b>		
Central clearing counterparties	561	353
Banks and securities dealers	6,373	8,393
Other counterparties	7,000	8,112
<b>Positive replacement values</b>	<b>13,934</b>	<b>16,858</b>

### Fair value hedges

in	2015	2014
<b>Gains/(losses) on derivative financial instruments recognized in income (CHF million)</b>		
Interest rate products	(94)	(143)
Foreign exchange products	0	3
<b>Gains/(losses) on derivative financial instruments recognized in income</b>	<b>(94)</b>	<b>(140)</b>
<b>Gains/(losses) on hedged items recognized in income (CHF million)</b>		
Interest rate products	76	136
Foreign exchange products	0	(3)
<b>Gains/(losses) on hedged items recognized in income</b>	<b>76</b>	<b>133</b>
<b>Details of fair value hedges (CHF million)</b>		
Net gains/(losses) on the ineffective portion	(18)	(7)

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

### Cash flow hedges

in	2015	2014
<b>Deferred unrealized gains/(losses) on derivative financial instruments related to cash flow hedges (CHF million) <sup>1</sup></b>		
<b>Balance at beginning of period</b>	<b>31</b>	<b>11</b>
Interest rate products	21	41
Foreign exchange products	(2)	0
<b>Gains/(losses) on derivative financial instruments deferred during reporting period</b>	<b>19</b>	<b>41</b>
Interest rate products <sup>2</sup>	37	21
Foreign exchange products <sup>2</sup>	(2)	0
<b>Deferred gains/(losses) on derivative financial instruments reclassified into income</b>	<b>35</b>	<b>21</b>
<b>Balance at end of period</b>	<b>15</b>	<b>31</b>
<b>Details of cash flow hedges (CHF million)</b>		
Net gains/(losses) on the ineffective portion <sup>2</sup>	(12)	(1)

<sup>1</sup> Included in the compensation account within other assets or other liabilities.

<sup>2</sup> Included in net income/(loss) from trading activities and fair value option.

As of December 31, 2015, the net gain associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statement of income within the next 12 months was CHF 11 million.

As of December 31, 2015, the maximum length of time over which the Bank parent company hedged its exposure to the

variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

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

## 14 Financial investments

end of	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial investments (CHF million)</b>				
Debt securities	2,661	2,668	2,515	2,522
of which held-to-maturity	124	131	124	124
of which available-for-sale	2,537	2,537	2,391	2,398
Equity securities	99	116	424	494
of which qualified participations <sup>1</sup>	60	65	401	457
Real estate <sup>2</sup>	41	41	45	45
Other <sup>3</sup>	34	36	22	22
<b>Financial investments</b>	<b>2,835</b>	<b>2,861</b>	<b>3,006</b>	<b>3,083</b>
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	–	0	–

<sup>1</sup> Includes participations held in financial investments with at least 10% in capital or voting rights.

<sup>2</sup> Real estate acquired from the lending business (repossessed assets) and classified as held-for-sale is carried at lower of cost and liquidation value.

<sup>3</sup> Includes other non-financial assets acquired from the lending business (repossessed assets) such as commodities, vehicles and other goods.

## 15 Other assets and other liabilities

end of	2015	2014
<b>Other assets (CHF million)</b>		
Compensation account	1,051	1,017
Deferred tax assets	0	259
Other	977	474
of which indirect taxes and duties	615	156
of which other <sup>1</sup>	362	318
<b>Other assets</b>	<b>2,028</b>	<b>1,750</b>
<b>Other liabilities (CHF million)</b>		
Other	685	576
of which indirect taxes and duties	166	222
of which other <sup>2</sup>	519	354
<b>Other liabilities</b>	<b>685</b>	<b>576</b>

<sup>1</sup> Includes receivables from settlement accounts, coupons, internal clearing accounts and other miscellaneous assets.

<sup>2</sup> Includes payables from settlement accounts, accounts payable for goods and services purchased, internal clearing accounts and other miscellaneous liabilities.

## 16 Assets pledged

end of	2015		2014	
	Carrying value	Actual liabilities	Carrying value	Actual liabilities
<b>Assets pledged (CHF million)<sup>1</sup></b>				
Due from banks	0	0	34	34
Due from customers	301	301	30	30
Mortgage loans	21,463	15,191	23,942	19,191
Trading assets	446	204	1,399	208
<b>Assets pledged</b>	<b>22,210</b>	<b>15,696</b>	<b>25,405</b>	<b>19,463</b>

<sup>1</sup> Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse-repurchase agreements.

## 17 Pension plans

Liabilities due to the Bank parent company's own pension plans as of December 31, 2015 and 2014 of CHF 1,580 million and CHF 3,131 million, respectively, are reflected in various liability accounts in the Bank parent company's balance sheet.

► Refer to "Note 30 – Pension and other post-retirement benefits" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information.

### Swiss pension plan

The Bank parent company's employees are covered by the pension plan of the "Pensionskasse der Credit Suisse Group AG (Schweiz)" (the Swiss pension plan). All Swiss subsidiaries of Credit Suisse Group AG participate in this plan. The Swiss pension plan is an independent self-insured pension plan set up as a trust and qualifies as a defined contribution plan (savings plan) under Swiss law.

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

### International pension plans

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

### Employer contribution reserves

end of / in	Employer contribution reserves – notional		Amount subject to waiver		Employer contribution reserves – net <sup>1</sup>		Increase/(Release) of employer contribution reserves included in personnel expenses	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>CHF million</b>								
Swiss pension plan	36	50	0	16	36	34	(14)	7
<b>Total</b>	<b>36</b>	<b>50</b>	<b>0</b>	<b>16</b>	<b>36</b>	<b>34</b>	<b>(14)</b>	<b>7</b>

<sup>1</sup> In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the Bank parent company's statutory balance sheet.

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

end of / in	Over/(Under) -funding		Economic benefit/(obligation) recorded by Bank parent company <sup>2</sup>			Pension contributions		Pension expenses included in personnel expenses	
	2015	2014	2015	2014	Change	2015	2014	2015	2014
<b>CHF million</b>									
Swiss pension plan – status overfunded	1,050 <sup>1</sup>	1,980 <sup>1</sup>	–	–	–	382	410	382 <sup>3</sup>	410 <sup>4</sup>
International pension plans – underfunded	(3)	(3)	(3)	(3)	0	1	1	1	1
International pension plans – without over-/underfunding	0	0	0	0	0	13	17	13	17
<b>Total</b>	<b>1,047</b>	<b>1,977</b>	<b>(3)</b>	<b>(3)</b>	<b>0</b>	<b>396</b>	<b>428</b>	<b>396</b>	<b>428</b>

<sup>1</sup> Represents the Bank parent company's share of 93.98% and 93.91% in the total over/(under)funding of the Swiss pension plan of CHF 1,117 million and CHF 2,108 million as of December 31, 2015 and 2014, respectively.

<sup>2</sup> In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.

<sup>3</sup> Includes a release of employer contribution reserves of CHF 14 million.

<sup>4</sup> Includes an increase of employer contribution reserves of CHF 7 million.

## 18 Issued structured products

end of	2015							2014
	Not bifurcated <sup>1</sup>	Bifurcated		Total	Not bifurcated <sup>1</sup>	Bifurcated		
	Liabilities from other financial instruments held at fair value <sup>2</sup>	Value of underlying instrument	Value of derivative <sup>1</sup>		Liabilities from other financial instruments held at fair value <sup>2</sup>	Value of underlying instrument	Value of derivative <sup>1</sup>	
<b>Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)</b>								
<b>Interest rates</b>								
Structured products with own debt	11,558	0	0	11,558	1,748	89	0	1,837
Structured products without own debt	447	0	0	447	0	0	0	0
<b>Equity</b>								
Structured products with own debt	36,347	102	1	36,450	34,864	684	57	35,605
<b>Foreign exchange</b>								
Structured products with own debt	404	0	0	404	565	0	0	565
Structured products without own debt	0	918	(4)	914	0	738	(2)	736
<b>Commodities / precious metals</b>								
Structured products with own debt	1,874	0	0	1,874	1,017	0	0	1,017
Structured products without own debt	0	133	(1)	132	0	174	(1)	173
<b>Credit</b>								
Structured products with own debt	4,699	0	0	4,699	3,636	0	0	3,636
<b>Other<sup>3</sup></b>								
Structured products with own debt	673	0	0	673	682	0	0	682
<b>Total</b>	<b>56,002</b>	<b>1,153</b>	<b>(4)</b>	<b>57,151</b>	<b>42,512</b>	<b>1,685</b>	<b>54</b>	<b>44,251</b>

<sup>1</sup> Carried at fair value.

<sup>2</sup> Reflects balance sheet classification.

<sup>3</sup> Includes structured products where the underlying risk relates to hedge funds or other products with multiple underlying risks.

In addition to the issued structured products included in the table above, the Bank parent company had CHF 6,432 million of issued structured products as of December 31, 2014, which qualified

neither for bifurcation nor for fair valuation under the fair value option. These issued structured products are carried at amortized cost.

## 19 Unsecured senior debt and structured notes

end of	2015						2014
	Original maturity up to 1 year	Original maturity greater than 1 year	Total	Original maturity up to 1 year	Original maturity greater than 1 year	Total	
<b>Unsecured senior debt (CHF million)</b>							
<b>Total unsecured senior debt<sup>1,2</sup></b>	4,890	86,846	<b>91,736</b>	6,721	66,999	<b>73,720</b>	
of which recorded in medium-term notes			759			1,263	
of which recorded in bonds and mortgage-backed bonds			90,977			72,457	
<b>Unsecured structured notes (CHF million)</b>							
<b>Total unsecured structured notes</b>	2,184	53,474	<b>55,658</b>	3,416	46,180	<b>49,596</b>	
of which recorded in liabilities from other financial instruments held at fair value			55,555			42,512	
of which recorded in bonds and mortgage-backed bonds			103			7,084	

<sup>1</sup> Includes guaranteed debt instruments.

<sup>2</sup> Excludes senior unsecured debt included in due to banks and customer deposits as well as certificates of deposits and bankers acceptances.



## 20 Provisions and valuation adjustments

2015	Balance at beginning of period	Change in organization	Utilized for purpose	Reclassifications	Foreign exchange translation differences	Recoveries, interest past due	New charges to income statement	Releases to income statement	Balance at end of period
<b>Provisions (CHF million)</b>									
Provisions for deferred taxes	52	0	–	–	0	–	0	(52)	0
Provisions for pension benefit obligations	3	0	0	–	0	–	0	0	3 <sup>1</sup>
Provisions for off-balance sheet default risks	209	0	(38)	(2)	(2)	0	235	(154)	248 <sup>2,3</sup>
Provisions for other business risks	139	0	(112)	0	0	0	15	(4)	38 <sup>2</sup>
Restructuring provisions	0	0	(4)	0	0	0	27	0	23 <sup>4</sup>
Other provisions	159	0	(57)	0	(1)	1	405	(23)	484 <sup>5</sup>
<b>Provisions</b>	<b>562</b>	<b>0</b>	<b>(211)</b>	<b>(2)</b>	<b>(3)</b>	<b>1</b>	<b>682</b>	<b>(233)</b>	<b>796</b>
<b>Valuation adjustments for default and country risks (CHF million)</b>									
<b>Valuation adjustments for default and country risks</b>	<b>1,033</b>	<b>(3)</b>	<b>(163)</b>	<b>3</b>	<b>(8)</b>	<b>110</b>	<b>760</b>	<b>(378)</b>	<b>1,354</b>
of which valuation adjustments for default risks from impaired receivables	748	0	(159)	3	(7)	103	445 <sup>6</sup>	(166) <sup>6</sup>	967
of which valuation adjustments for inherent risks	285	(3)	(4)	0	(1)	7	315 <sup>7</sup>	(212) <sup>7</sup>	387

<sup>1</sup> Discounted at rates of between 2.6% and 8.4%.

<sup>2</sup> Provisions are not discounted due to their short-term nature.

<sup>3</sup> Provisions are mainly related to irrevocable loan commitments and guarantees.

<sup>4</sup> Partially discounted at rates of between 0.01% and 1.34%.

<sup>5</sup> Includes provisions in respect of litigation claims of CHF 416 million and CHF 115 million as of December 31, 2015 and 2014, respectively; partially discounted at rates between 2.9% and 17.0%.

<sup>6</sup> Mainly reflects increases in specific valuation adjustments on loans included in due to customers and due to banks in Switzerland, New York and Singapore and releases of such valuations adjustments in Switzerland and several foreign branches.

<sup>7</sup> Mainly reflects increases and releases in inherent valuation adjustments on loans included in due to customers and due to banks, primarily in New York.

## 21 Composition of share capital, conversion and reserve capital

end of	2015		2014	
	Quantity	Total nominal value (CHF million)	Quantity	Total nominal value (CHF million)
<b>Share capital</b>				
Registered shares (at CHF 1 par value per share)	4,399,680,200	4,400 <sup>1</sup>	4,399,680,200	4,400 <sup>1</sup>
<b>Share capital</b>		<b>4,400</b>		<b>4,400</b>
<b>Conversion and reserve capital<sup>2</sup></b>				
Unlimited conversion capital (at CHF 1 par value per share) <sup>3</sup>	unlimited	unlimited	unlimited	unlimited
of which used for capital increases	0	0	0	0
of which reserved for capital instruments outstanding <sup>4</sup>	0	0	0	0
Reserve capital (at CHF 1 par value per share) <sup>5</sup>	4,399,665,200	4,400	4,399,665,200	4,400
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

<sup>1</sup> The dividend eligible capital equals the total nominal value. As of December 31, 2015 and 2014, the total nominal value of registered shares was CHF 4,399,680,200 and fully paid.

<sup>2</sup> Represents authorized capital.

<sup>3</sup> For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of Credit Suisse AG.

<sup>4</sup> In the case of a conversion of the Group-internal contingent convertible instruments outstanding as of December 31, 2015 and 2014, respectively, an issuance of 8,695,000 registered shares, subject to adjustments, would have been required.

<sup>5</sup> For information on principal characteristics of reserve capital, refer to Article 4e in the Articles of Association of Credit Suisse AG.

### Non-distributable reserves

As of December 31, 2015 and 2014, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the Bank parent company's articles of association was

CHF 2,200 million. Not reflected in this amount are reserves which the Bank parent company is required to retain in order to meet the regulatory capital requirements as a going concern.

### Transactions with shareholders

In 2015, the Bank parent company paid out a dividend in kind of CHF 70 million to Credit Suisse Group AG, consisting primarily of financial assets and liabilities related to the transfer of the credit and charge cards issuing business to Swisscard AECS GmbH, an entity in which the Group holds a significant equity interest. In 2014, Credit Suisse Group AG provided a contribution in kind of

CHF 170 million to the Bank parent company consisting of 100% participating interests in Credit Suisse Group Finance (U.S.) Inc. and 42% participating interests in Credit Suisse (Luxembourg) S.A.

► Refer to “Statement of changes in equity” and “Note 1 – Business activities, developments and subsequent events” for further information on transactions with shareholders.

## 22 Significant shareholders and groups of shareholders

end of	2015						2014
	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%)	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%)	
<b>Direct shareholders</b>							
Credit Suisse Group AG	4,400 <sup>1</sup>	4,400	100.00	4,400 <sup>1</sup>	4,400	100.00	
<b>Indirect shareholders through Credit Suisse Group AG<sup>2</sup></b>							
Chase Nominees Ltd. <sup>3</sup>	704	704	15.99	755	755	17.17	
Crescent Holding GmbH	– <sup>4</sup>	– <sup>4</sup>	– <sup>4</sup>	242	242	5.51	

<sup>1</sup> All shares with voting rights.

<sup>2</sup> Pro-forma numbers calculated based on the percentage interest held in Group shares as per the share register of the Group on December 31 of the reporting period. Includes shareholders registered as nominees or ADS depository bank.

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

<sup>4</sup> Participation was lower than the disclosure threshold of 5%.

### Information received from shareholders of Credit Suisse Group AG not registered in the share register

In addition to the shareholdings registered in the share register of Credit Suisse Group AG (Group parent company), the Group parent company has obtained the following information directly from its shareholders and reported it to the SIX Swiss Exchange in accordance with the notification requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA). These shareholders may hold their shareholdings in Group shares through a nominee.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17% of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares in 2014 and 2015.

In 2015, the Group received disclosure notifications from Norges Bank, The Olayan Group and Qatar Holding LLC that their holdings of registered Group shares have fallen below the 5% threshold. In a disclosure notification that the Group published on February 12, 2016, the Group was notified that as of February 8, 2016, Norges Bank

held 98.5 million shares, or 5.03% of the registered Group shares issued as of the date of the notified transaction.

### Shareholders with a qualified participation

As of the date of the most recent notification received by the Group on December 10, 2015, Qatar Investment Authority (through Qatar Holding LLC) held approximately 4.98% of the Group's common shares and 13.59% purchase rights in the form of contingent convertible capital instruments, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements. As of the date of the most recent notification received by the Group on December 2, 2015, The Olayan Group (through Crescent Holding GmbH) held approximately 4.95% of the Group's common shares and 6.40% purchase rights consisting of 6.34% purchase rights in the form of contingent convertible capital instruments, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 0.06% from short put options. In addition to the Group, which is the direct shareholder of the Bank parent company, Qatar Investment Authority and The Olayan Group are shareholders with a qualified participation in accordance with Bank Law.

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

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

► Refer to “Compensation” in IV – Corporate Governance and Compensation for a comprehensive disclosure of compensation to the Board of Directors and the Executive Board of Credit Suisse Group AG.

► Refer to “Note 23 – Shareholdings of the Board of Directors, Executive Board and employees” in VI – Parent company financial statements – Credit Suisse Group AG for information on shareholdings of the Board of Directors and the Executive Board of the Bank parent company.

### Share-based awards outstanding

end of	2015		2014	
	Number of share-based awards outstanding in million	Fair value in CHF million	Number of share-based awards outstanding in million	Fair value in CHF million
<b>Share-based awards<sup>1</sup></b>				
Employees	18.9	410	18.4	461
<b>Share-based awards</b>	<b>18.9</b>	<b>410</b>	<b>18.4</b>	<b>461</b>

<sup>1</sup> All share-based compensation plans of the Bank parent company are plans based on virtual shares and either settled in shares of Credit Suisse Group AG or in cash on the basis of the fair value of the Credit Suisse Group AG shares.

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

As of December 31, 2015 and 2014, the Bank parent company did not have any option plans with outstanding options.

### Compensation plans

In January 2015, the Bank parent company granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation. Deferred compensation is awarded to employees with total compensation above CHF/USD 250,000 or the local currency equivalent. Compensation plans 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.

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

### Share awards

Each share award granted entitles the holder of the award to receive one Group share at the delivery date, does not contain a

leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. The value of the share awards is solely dependent on the Group share price at the time of delivery.

On January 16, 2015, the Bank parent company granted 6.4 million share awards with a total value of CHF 129 million. The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a Group share over the two business days ended January 16, 2015. Share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value of each share award was CHF 16.94 on the grant date. The fair value was based on a valuation using the Group share price on the date of grant and discounted for expected dividends for 2015, 2016 and 2017 of CHF 0.66, CHF 1.03 and CHF 1.39, respectively. On January 16, 2014, the Bank parent company granted 4.8 million share awards with a total value of CHF 138 million.

### Performance share awards

Members of the Executive Board, managing directors and all ◉ material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Group's risk profile) received a portion of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related clawback provisions.

Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Unlike the share awards, outstanding performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative return on equity (ROE) that would call for a negative adjustment

greater than the divisional adjustment for the year, in which case the negative adjustment is based on a negative ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative ROE and is not linked to the performance of the divisions. The performance criteria for 2014 awards were based on strategic ROE.

On January 16, 2015, the Bank parent company granted 4.5 million performance share awards with a total value of CHF 90 million. The number of performance share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the two business days ended January 16, 2015. The fair value of each performance share award was CHF 16.94 on the grant date. Performance share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value was based on a valuation using the Group share price on the date of grant and discounted for expected dividends for 2014, 2015 and 2016 of CHF 0.66, CHF 1.03 and CHF 1.39, respectively. On January 16, 2014, the Bank parent company granted 3.2 million performance share awards with a total value of CHF 92 million.

The amount of the potential negative adjustment for a loss at the divisional level is applicable to all outstanding performance share awards (including the short-term incentive, STI) awards of Executive Board members who lead business divisions and is disclosed 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%)

#### Contingent Capital Awards

CCA were granted in January 2015 and 2014 as part of 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of

4.85% and 4.75% per annum over the six-month Swiss franc London Interbank Offered Rate (LIBOR) or 5.75% and 5.33% per annum over the six-month US dollar LIBOR, for Swiss franc and US-denominated awards for 2015 and 2014, respectively, until settled. Employees who received 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 the grant date. 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 Group will determine that fair value at its discretion. The Group intends to grant CCA as one of its annual deferred variable compensation awards in future years.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero if any of the following trigger events were to occur:

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

On January 16, 2015 and 2014, the Bank parent company awarded CHF 55 million and CHF 53 million, respectively, of CCA that are expensed over the three-year period from the grant date. CCA were awarded as deferred variable compensation to managing directors and directors.

#### Other cash awards

Other cash awards include several smaller deferred cash compensation plans.

#### Deferred compensation expenses

in	2015	2014
<b>Deferred compensation expense (CHF million)</b>		
Share awards <sup>1</sup>	153	138
Performance share awards	82	58
Contingent Capital Awards (cash awards)	63	32
Other cash awards	32	37
Discontinued plans <sup>2</sup>	(3)	36
<b>Deferred compensation expense</b>	<b>327</b>	<b>301</b>

<sup>1</sup> Includes special share awards.

<sup>2</sup> Includes all plans that are discontinued but may still incur deferred compensation expense until final vesting of the related awards.

## 24 Amounts receivable from and amounts payable to related parties

end of	2015		2014	
	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
<b>Amounts receivable from and/or payable to related parties (CHF million)</b>				
Shareholders with a qualified participation	2,771	11,600	3,197	11,595
Group companies	224,841	90,933	277,256	106,144
Affiliated companies	8,507	846	6,717	993
Members of governing bodies <sup>1</sup>	34	56	21	58

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

### Significant off-balance sheet transactions

As part of the normal course of business, the Bank parent company issues guarantees, loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by the Bank parent company. As of December 31, 2015 and 2014, the Bank parent company had contingent liabilities of CHF 165,125 million and CHF 177,890 million, respectively, and irrevocable loan commitments of CHF 823 million and CHF 16,794 million, respectively, of which substantially all were related to transactions with group companies.

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

### Additional information on related party transactions

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

## 25 Total assets by country rating

end of	2015		2014	
	CHF million <sup>2</sup>	%	CHF million <sup>2</sup>	%
<b>Total assets by internal country rating (CHF million)</b>				
Internal ratings <sup>1</sup>				
AAA	169,719	25.6%	183,684	26.9%
AA	209,978	31.7%	232,179	34.1%
A	23,269	3.5%	16,829	2.5%
BBB	21,556	3.3%	25,846	3.8%
BB	4,129	0.6%	1,588	0.2%
B	3,014	0.5%	1,159	0.2%
CCC	9,308	1.4%	8,565	1.3%
CC	0	0.0%	179	0.0%
D	26	0.0%	113	0.0%
Foreign assets	440,999	66.6%	470,142	69.0%
Domestic assets	221,011	33.4%	211,518	31.0%
<b>Total assets</b>	<b>662,010</b>	<b>100.0%</b>	<b>681,660</b>	<b>100.0%</b>

<sup>1</sup> Internal ratings are calibrated to the long-term issuer credit ratings of Standard & Poor's for the respective sovereigns. Internal country ratings may differ from Standard & Poor's respective country ratings.

<sup>2</sup> Net balance sheet exposure by country rating of risk domicile.

## 26 Fiduciary transactions

end of	2015	2014
<b>Fiduciary transactions (CHF million)</b>		
Fiduciary placements with third-party institutions	4,464	4,659
<b>Fiduciary transactions</b>	<b>4,464</b>	<b>4,659</b>

## 27 Assets under management

### Assets under management

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

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

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

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

The initial classification of the assets may not be permanent as the nature of the client relationship is reassessed on an on-going basis. If changes in client intent or activity warrant reclassification between client asset categories, the required reclassification adjustments are made immediately when the change in intent or activity occurs.

Reclassifications between assets under management and assets held for transaction-related or custodial purposes result in corresponding net assets inflows or outflows.

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

### Assets under management

end of	2015	2014
<b>Assets under management (CHF billion)</b>		
Assets in collective investment instruments managed by Credit Suisse AG	106.0	82.8
Assets with discretionary mandates	171.0	195.7
Other assets under management	738.8	774.5
<b>Assets under management (including double counting)</b>	<b>1,015.8</b>	<b>1,053.0</b>
of which double counting	35.3	35.1

## Changes in assets under management

in	2015	2014
<b>Changes in assets under management (CHF billion)</b>		
<b>Assets under management at beginning of period <sup>1</sup></b>	<b>1,053.0</b>	<b>956.2</b>
Net new assets/(Net asset outflows)	36.3	29.3
Market movements, interest, dividends and foreign exchange	(25.9)	68.2
of which market movements, interest and dividends <sup>2</sup>	(4.5)	36.8
of which foreign exchange	(21.4)	31.4
Other effects	(47.6) <sup>3</sup>	(0.7)
<b>Assets under management at end of period <sup>1</sup></b>	<b>1,015.8</b>	<b>1,053.0</b>

<sup>1</sup> Including double counting.

<sup>2</sup> Net of commissions and other expenses and net of interest expenses charged.

<sup>3</sup> Includes a reduction of CHF 41.4 billion related to the Bank parent company's updated assets under management policy which became effective July 1, 2015. The updated policy primarily introduced more specific criteria and indicators to be applied in evaluating whether client assets qualify as assets under management.

### Net new assets

Net new assets measure the degree of success in acquiring assets under management or increasing assets under management through warranted reclassifications. The calculation is based on the direct method, taking into account individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients and

commissions, interest and fees charged for banking services are not taken into account when calculating net new assets, as such charges are not directly related to the Bank parent company's success in acquiring assets under management. Similarly, changes in assets under management due to currency and market volatility as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

# Proposed appropriation of retained earnings

## Proposed appropriation of retained earnings

end of	2015
<b>Retained earnings (CHF million)</b>	
Retained earnings carried forward	3,113
Net loss	(2,877)
<b>Retained earnings available for appropriation</b>	<b>236</b>
Dividend	(10)
<b>Retained earnings to be carried forward</b>	<b>226</b>